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A Briefing on Georgia's Budget: The Big Picture

Bob Buschman

Georgia State University

Maggie Reeves

Georgia State University

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November 15, 2017

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FINANCE

Bob Buschman and Maggie Reeves

A Briefing on Georgia's Budget: The Big Picture

Overview

- CSLF and the Fiscal Research Center
- Revenues
- Budget Practices
- Georgia's Expenditures
 - By Policy Area and Over Time
- Georgia's Education Budget
 - Pre-K through High School
 - Higher Education



Revenues

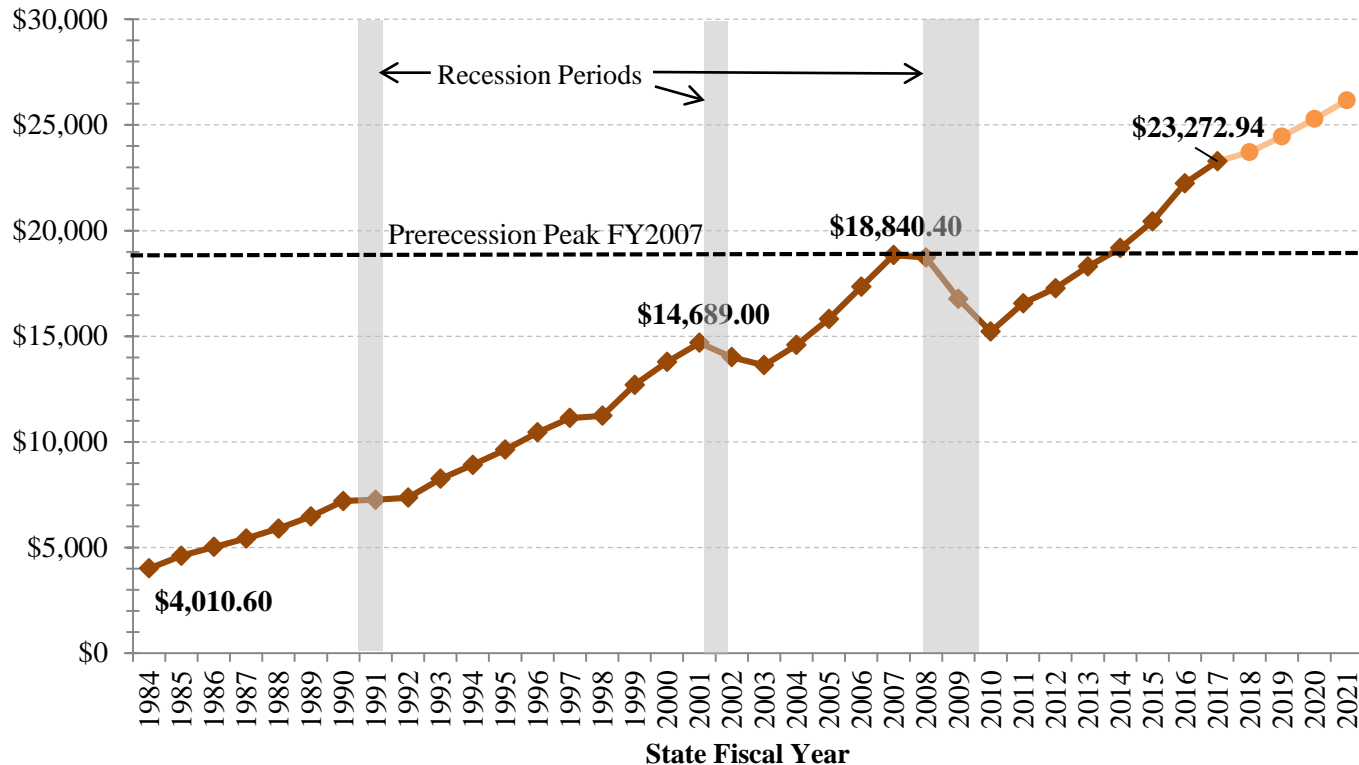
Georgia's revenue recovery and structural changes.

Revenue Overview

- Georgia's Revenues
 - State revenue recovery and outlook
 - Economic recovery from Great Recession
 - Have revenues kept up?
 - Major revenue sources and structural changes
 - State fiscal health

Georgia Revenue Recovery and Outlook

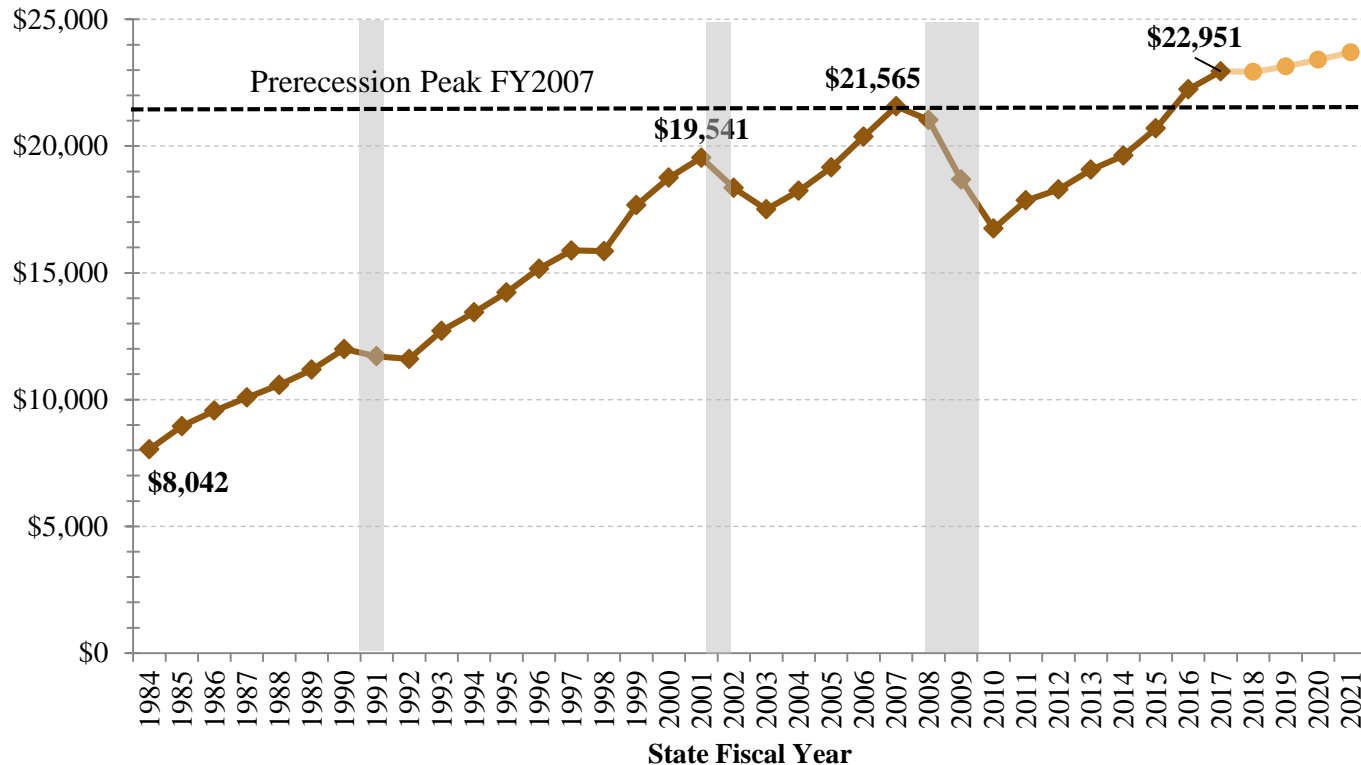
General Fund Revenues (\$ millions)



Data Sources: State Accounting Office (SAO) and Governor's Office of Planning and Budget (OPB)

Georgia Revenue Recovery and Outlook

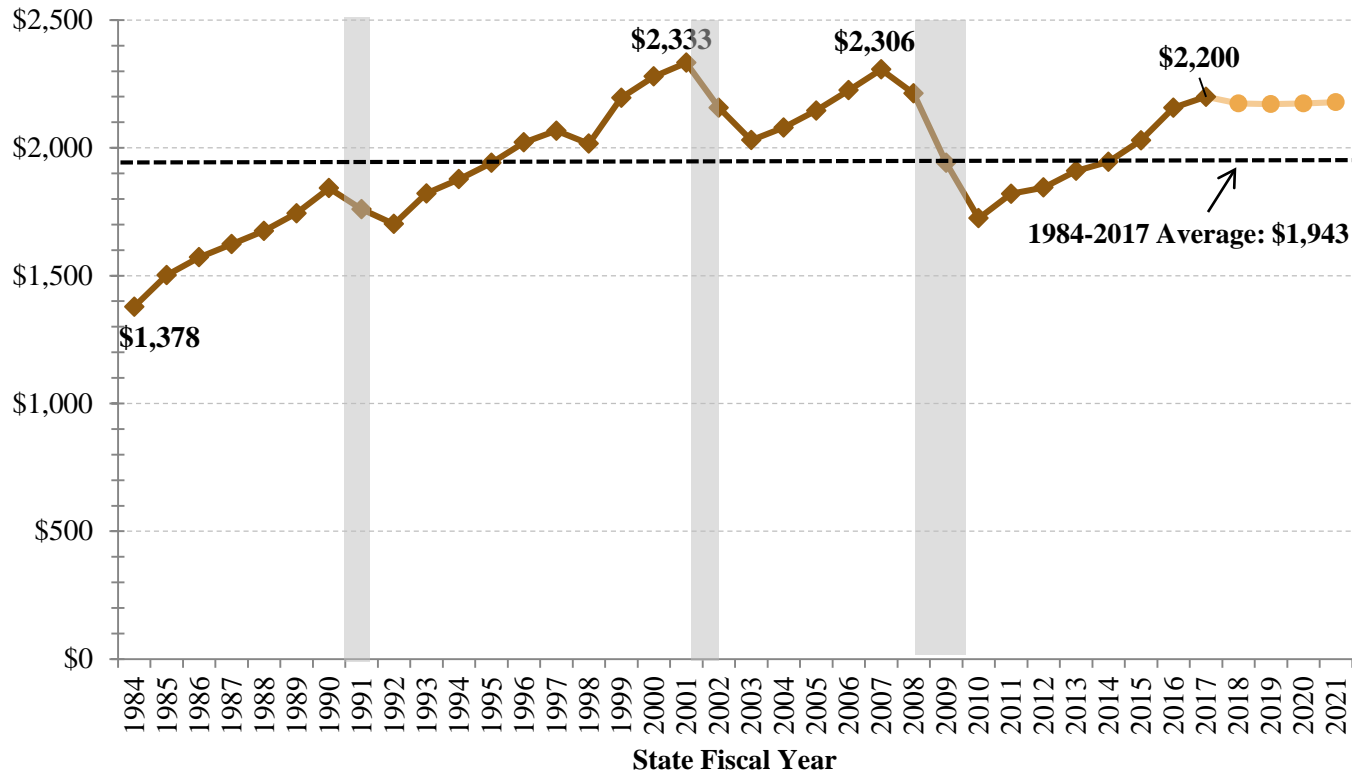
Real General Fund Revenues (2016 \$ millions)



Data Sources: SAO, OPB, and U.S. Bureau of Economic Analysis (BEA)

Have revenues kept up with growth?

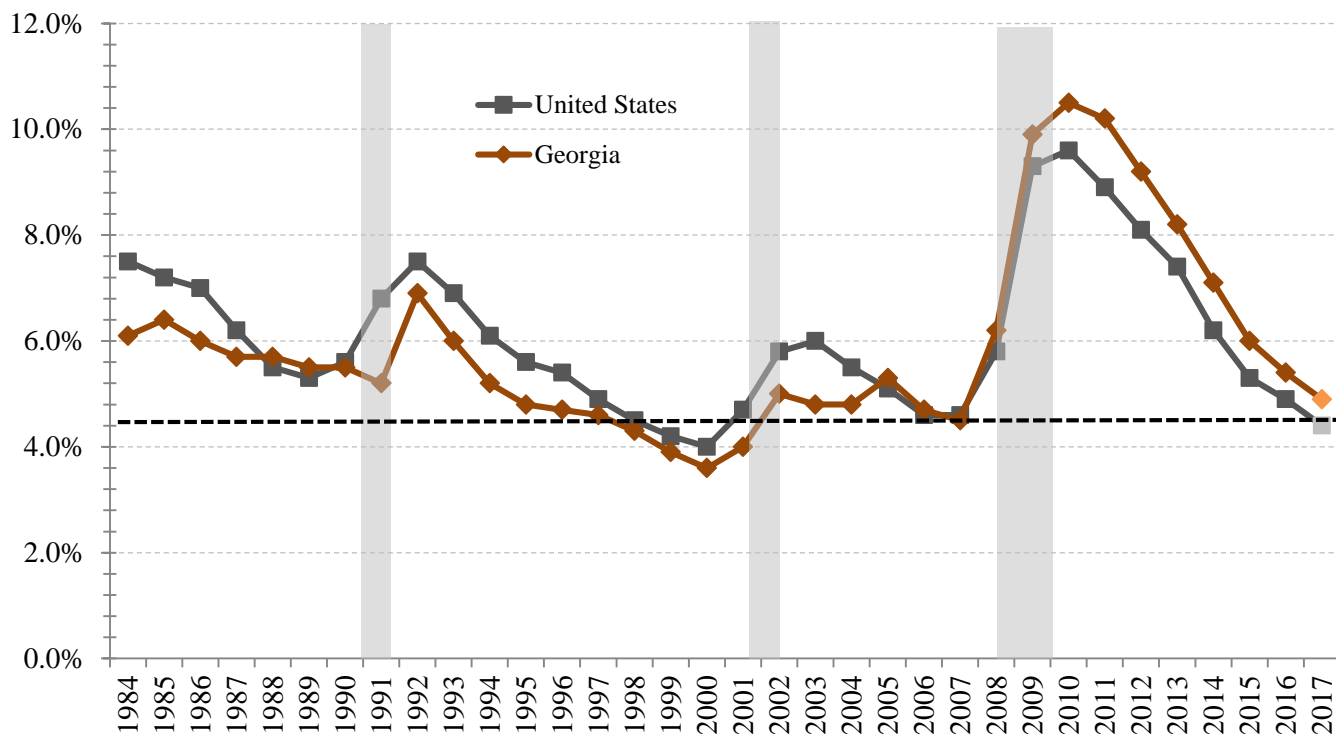
Real Per Capita General Fund Revenues (2016 \$)



Data Sources: SAO, OPB, and BEA

Economic Recovery from the Great Recession

Unemployment Rate*

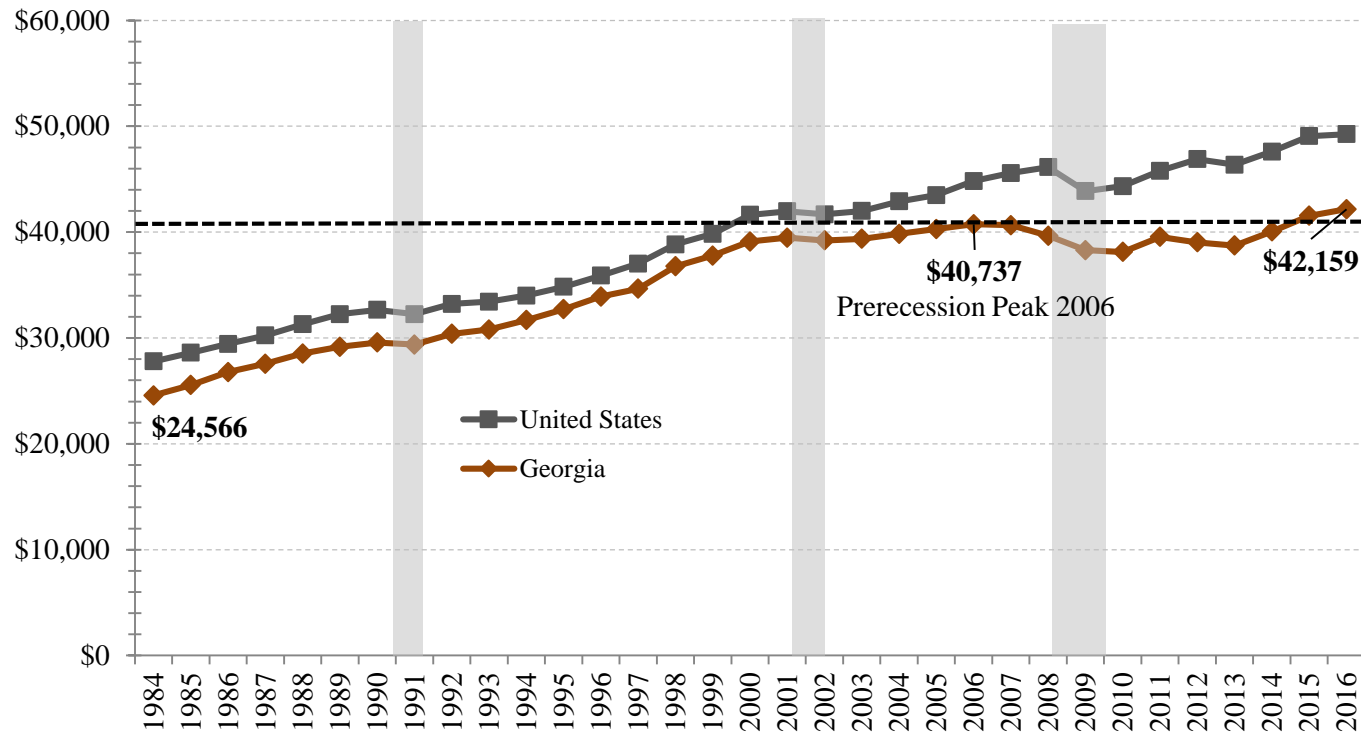


* Annual and 2017 YTD averages

Data Sources: U.S. Bureau of Labor Statistics (BLS)

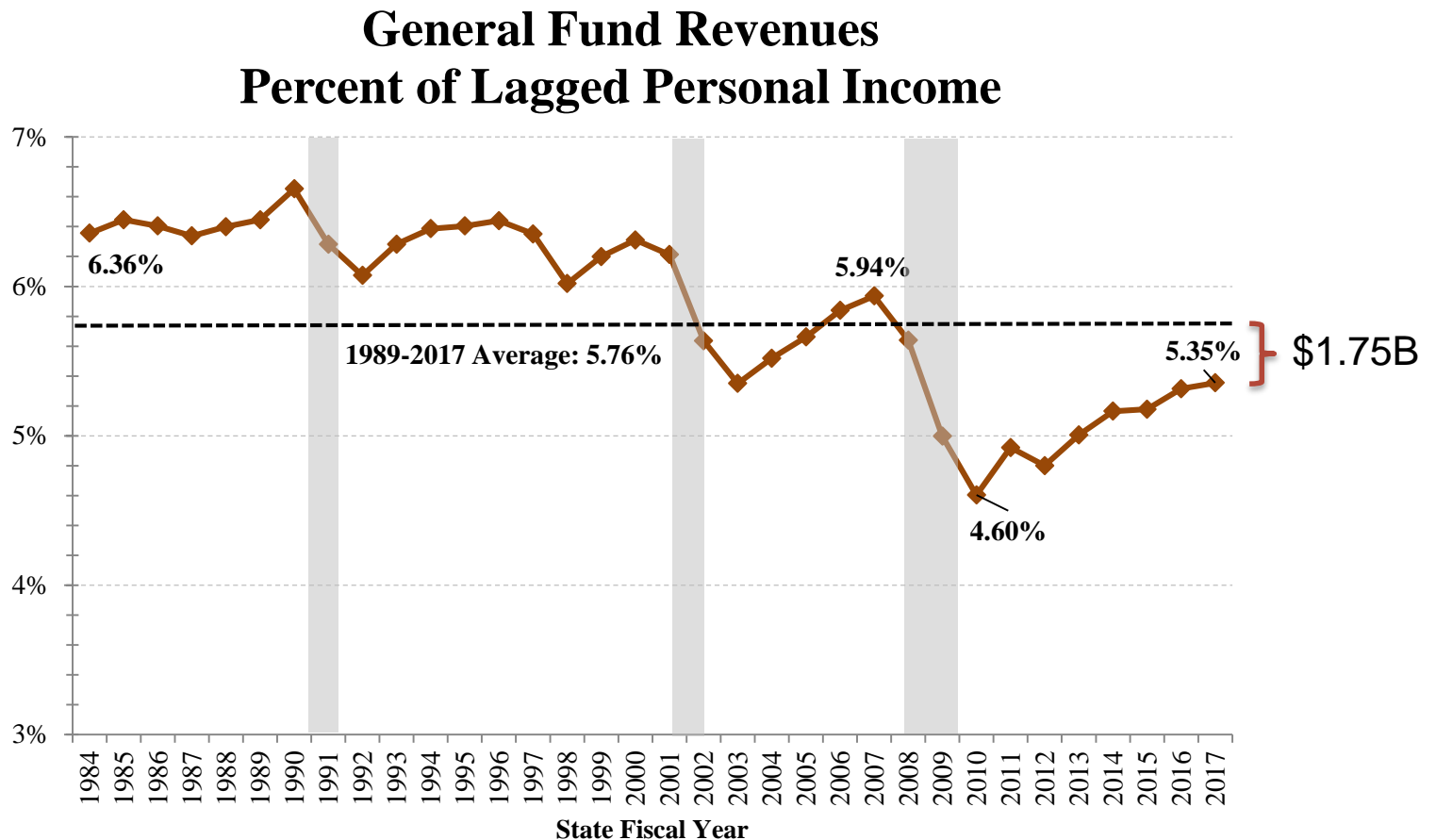
Economic Recovery from the Great Recession

Real Per Capita Personal Income (2016 \$)



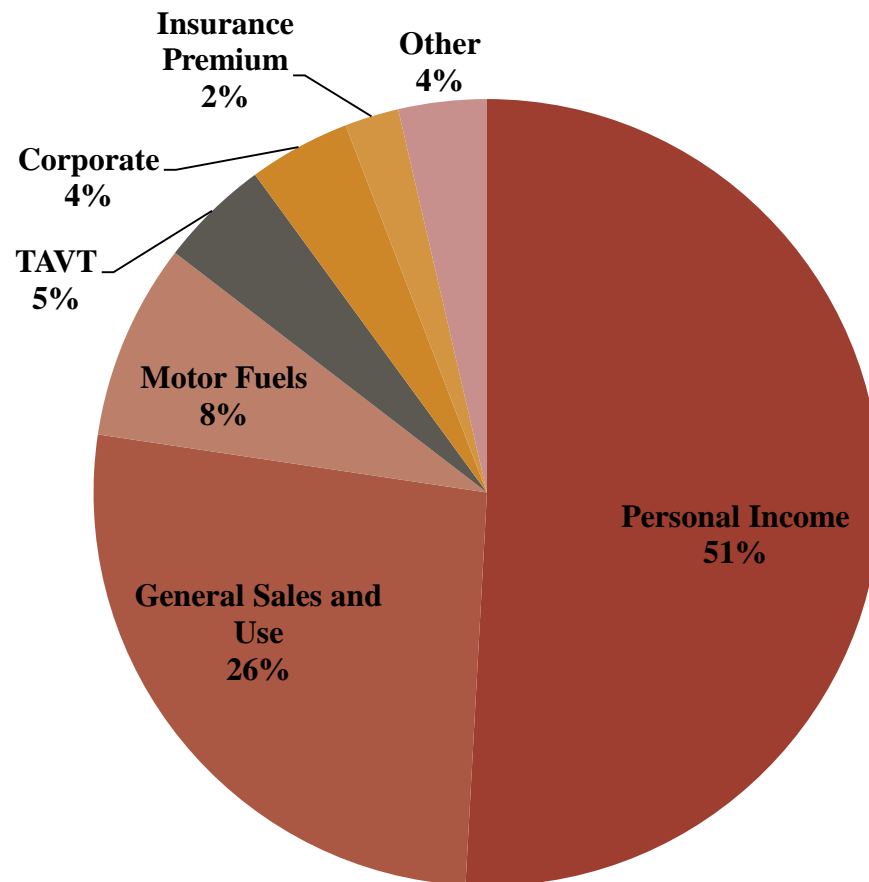
Data Sources: BEA

Revenue recovery falling short?



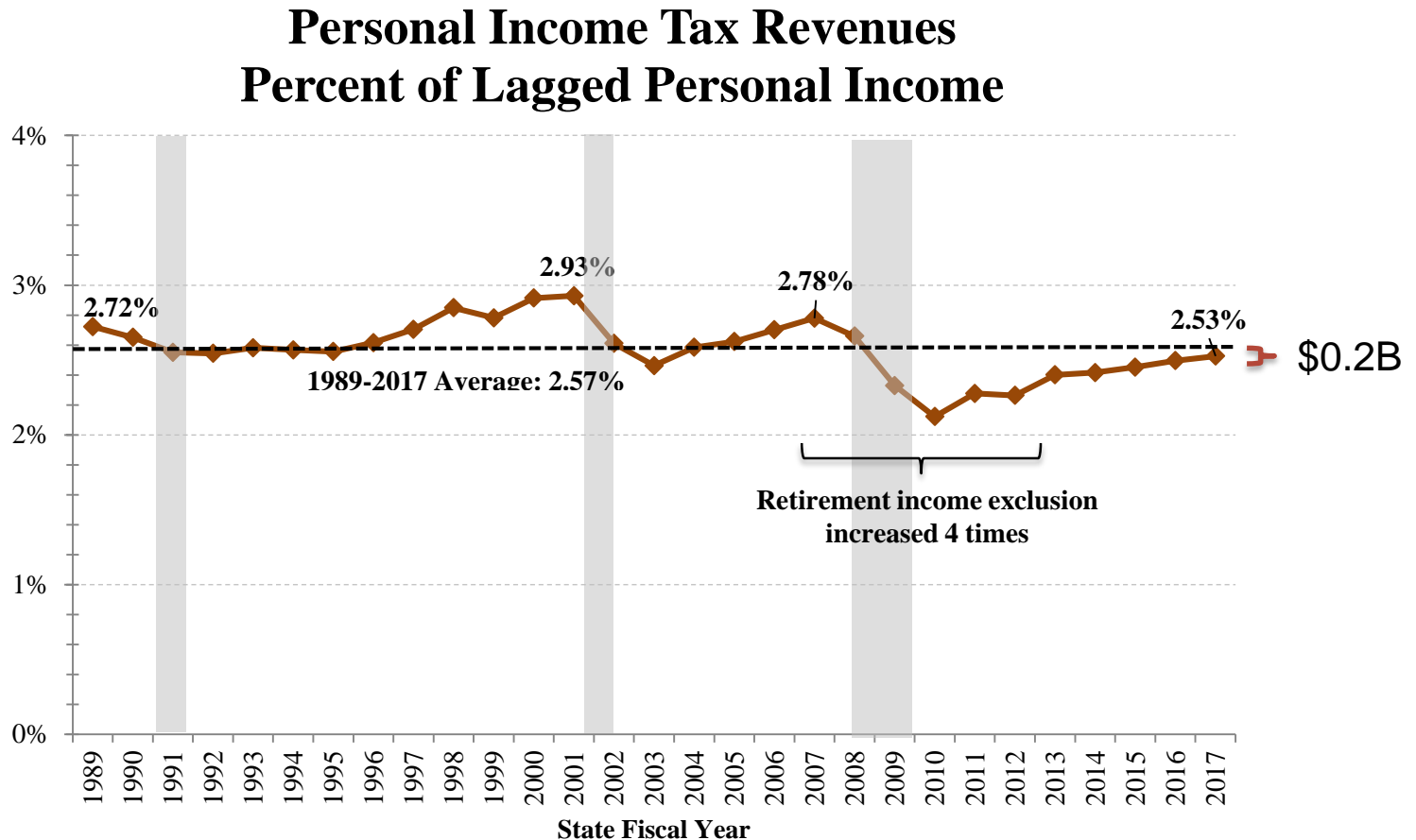
Data Sources: SAO, OPB, and BEA

Sources of Georgia's State Tax Revenues (FY 2017)



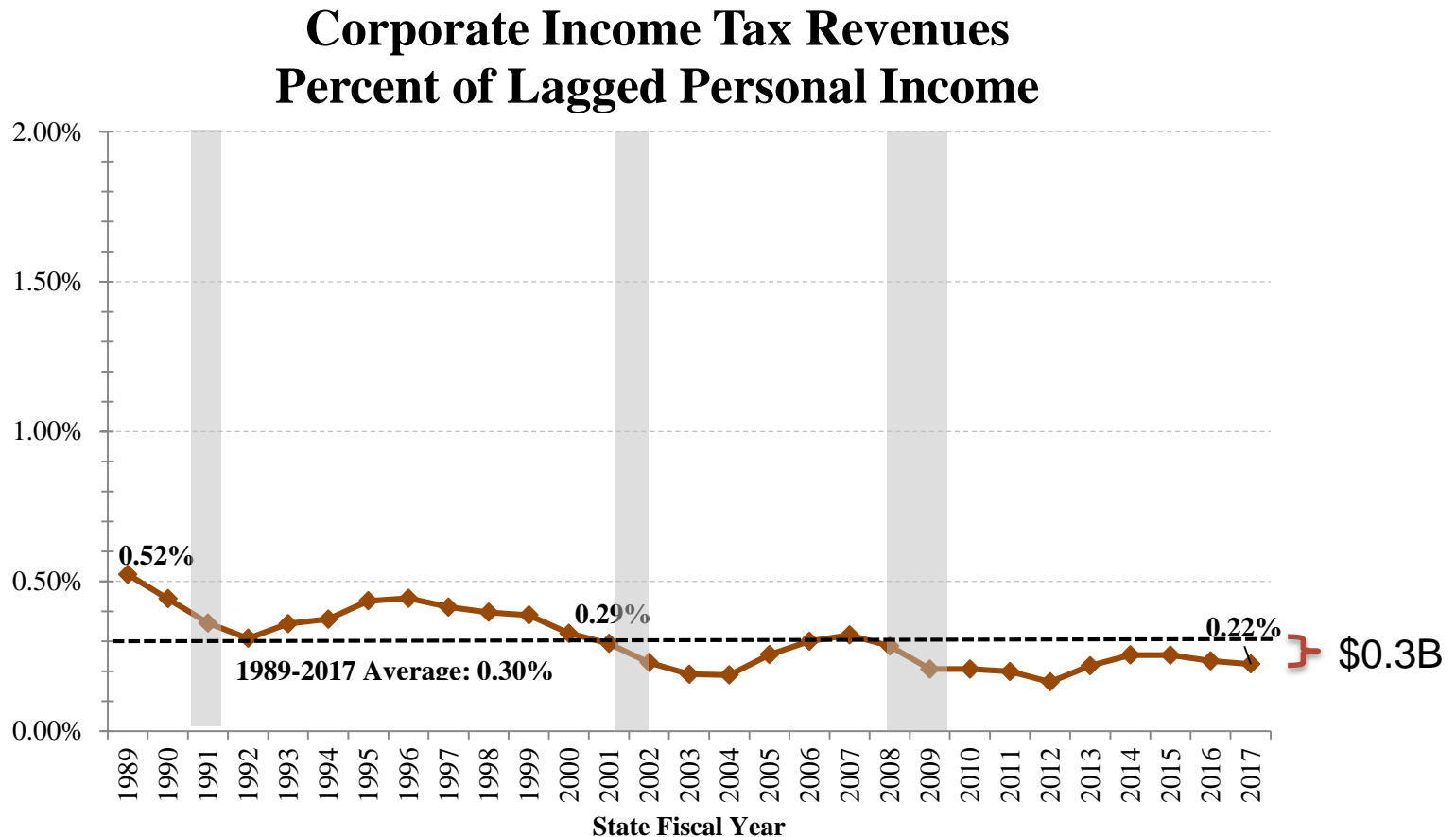
Data Sources: SAO

Revenue recovery falling short?



Data Sources: SAO, OPB, and BEA

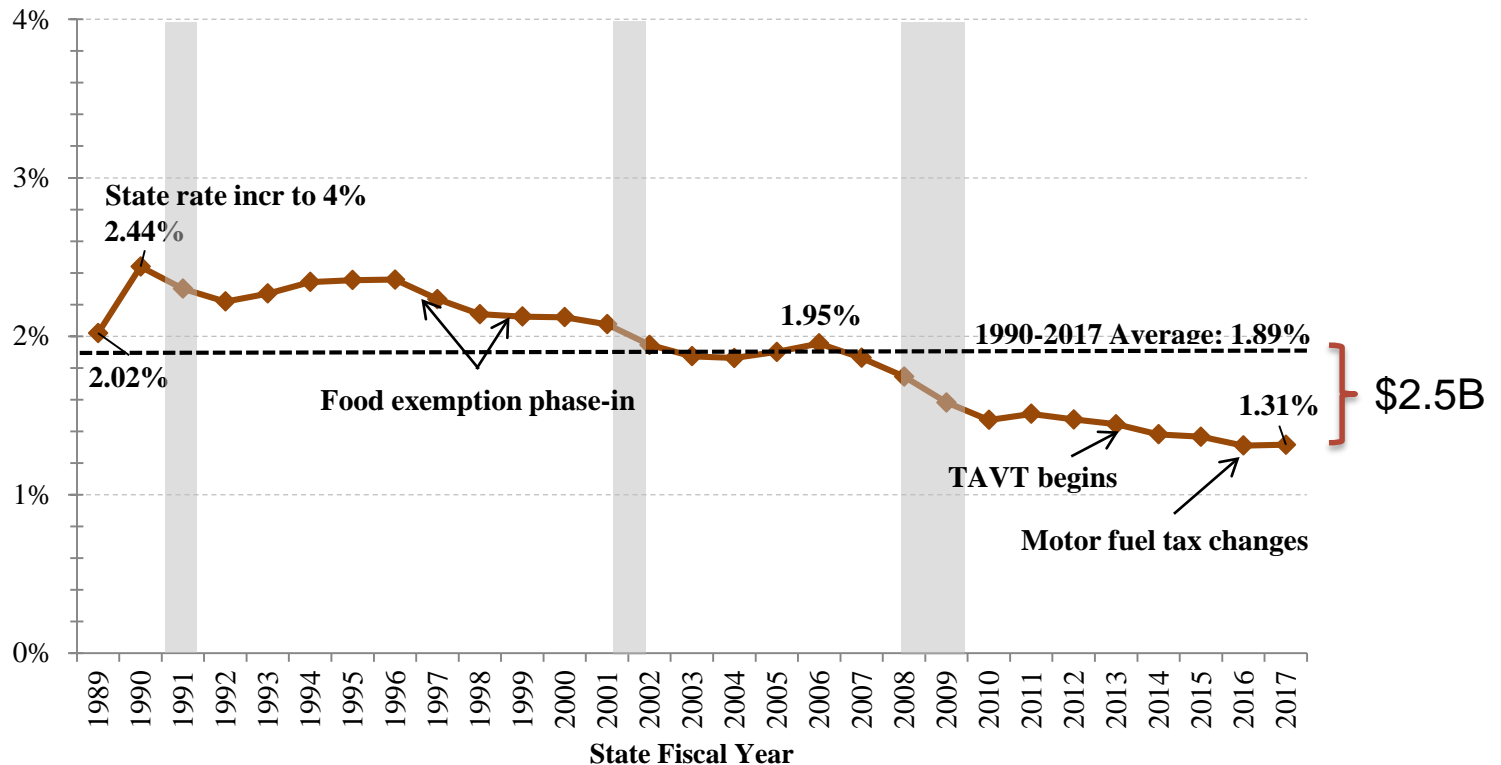
Revenue recovery falling short?



Data Sources: SAO, OPB, and BEA

Revenue recovery falling short?

State Sales Tax Revenues Percent of Lagged Personal Income



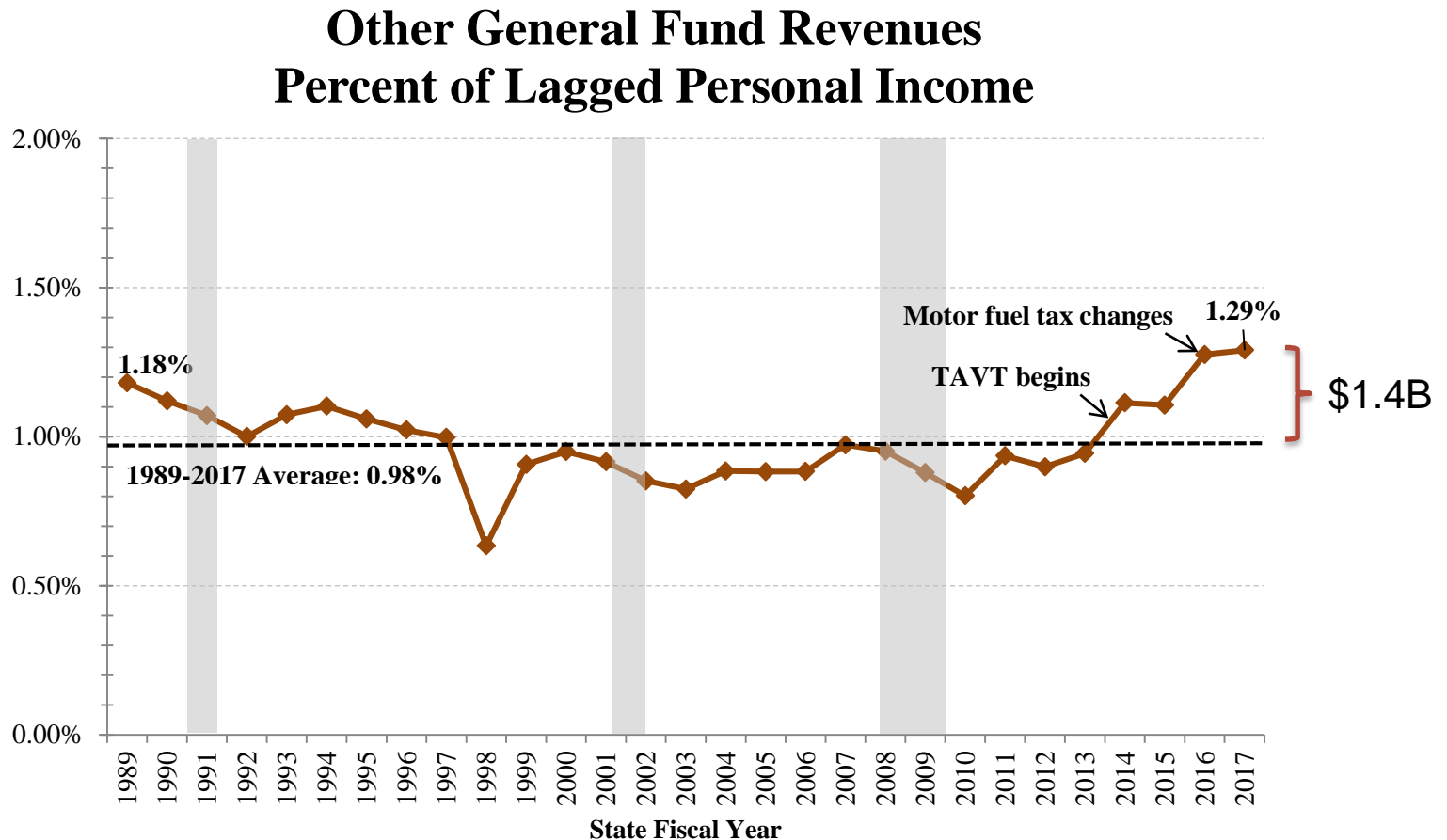
Data Sources: SAO, OPB, and BEA

**Table 2. Georgia Sales & Use Tax Revenue Shortfall:
Summary of Contributing Factors**

<i>(\$ millions)</i>	<i>Est'd FY2014 Effect</i>
<i>Legislative Actions:</i>	
Replace sales tax on motor vehicles with TAVT	-\$536
Permanent sales tax exemptions	-174
Temporary sales tax exemptions	-64
Total of Legislative Actions since 2000	-\$773
<i>Household Economic Factors:</i>	
Changing consumption mix toward services	-\$389
Growth of online sales (estimated maximum impact)	-250
Higher household saving rates	-28
Lower investment in new homes	-32
Household Factors Total	-\$699
<i>Business Economic Factors:</i>	
Input materials spending	\$651
Input energy spending	-234
Investment spending	-798
Business Factors Total	-\$381
All Factors excl. Food	-\$1,853
Food	-\$439
Total Impact of all Factors	-\$2,292

Data Sources: FRC Report no. 273, Georgia's Incredible Shrinking Sales Tax Base.

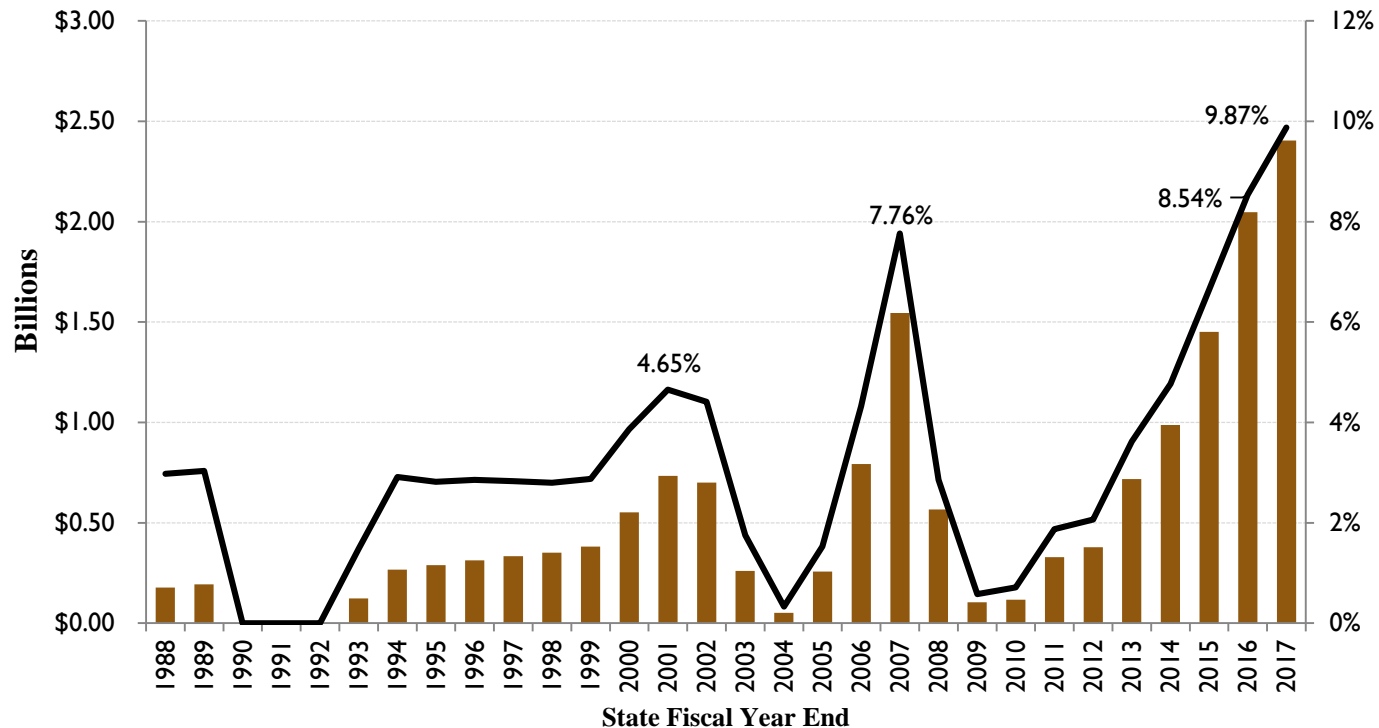
Not all bad news



Data Sources: SAO, OPB, and BEA

More good news: Setting aside funds for a rainy day

Revenue Shortfall Reserve Total and Percent of State Budget (right scale)

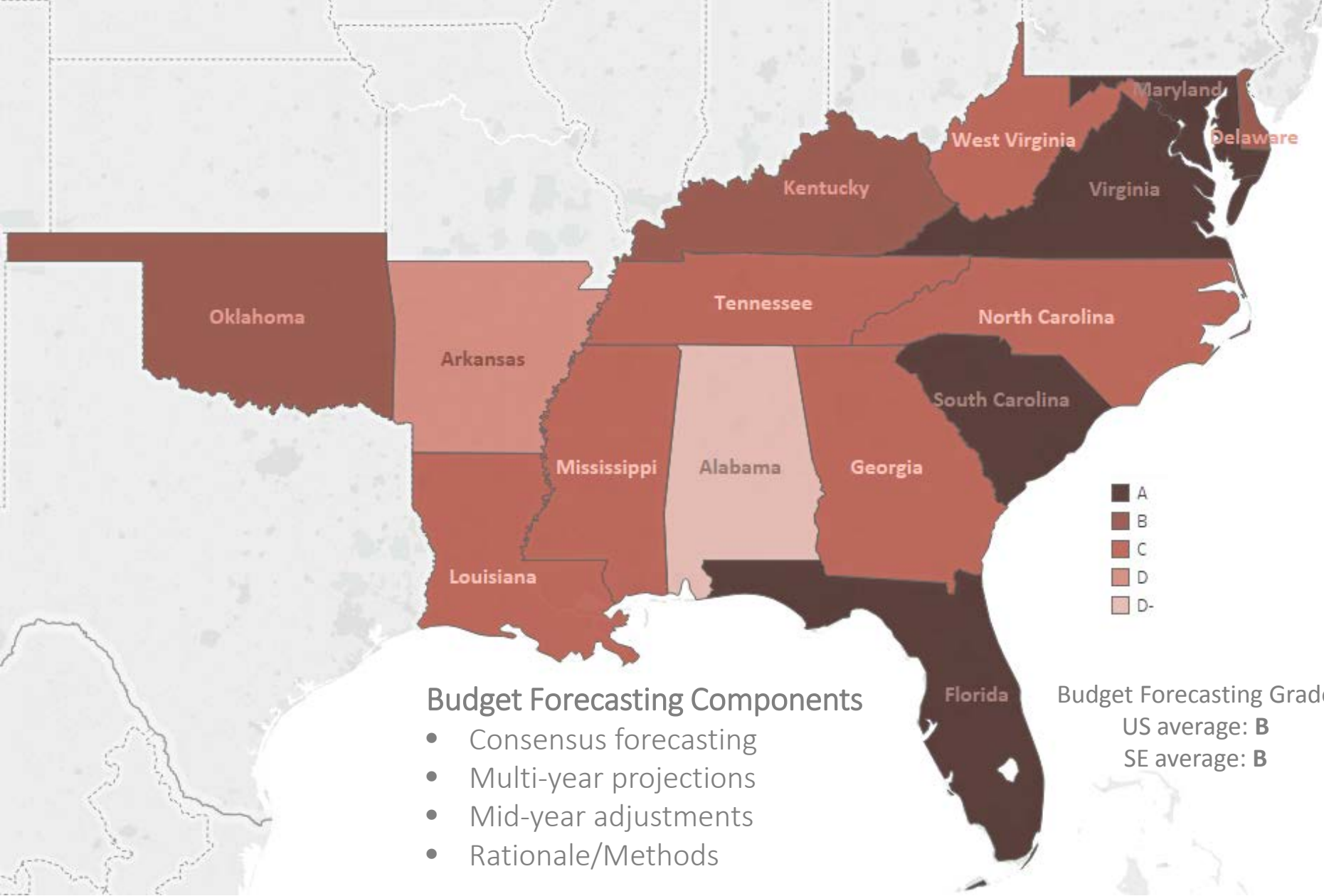


Data Sources: SAO, OPB, and BEA

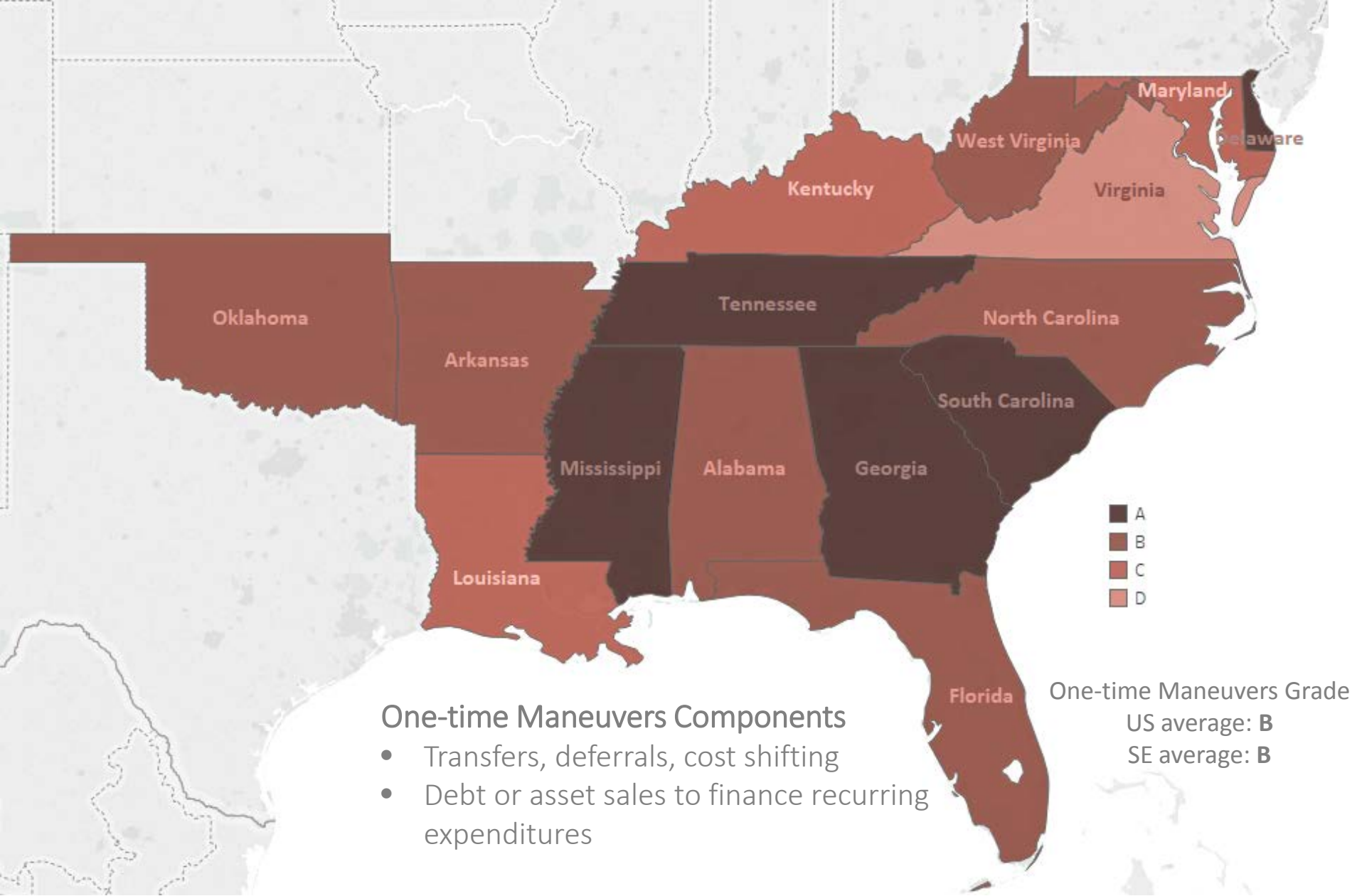


Budget Practices

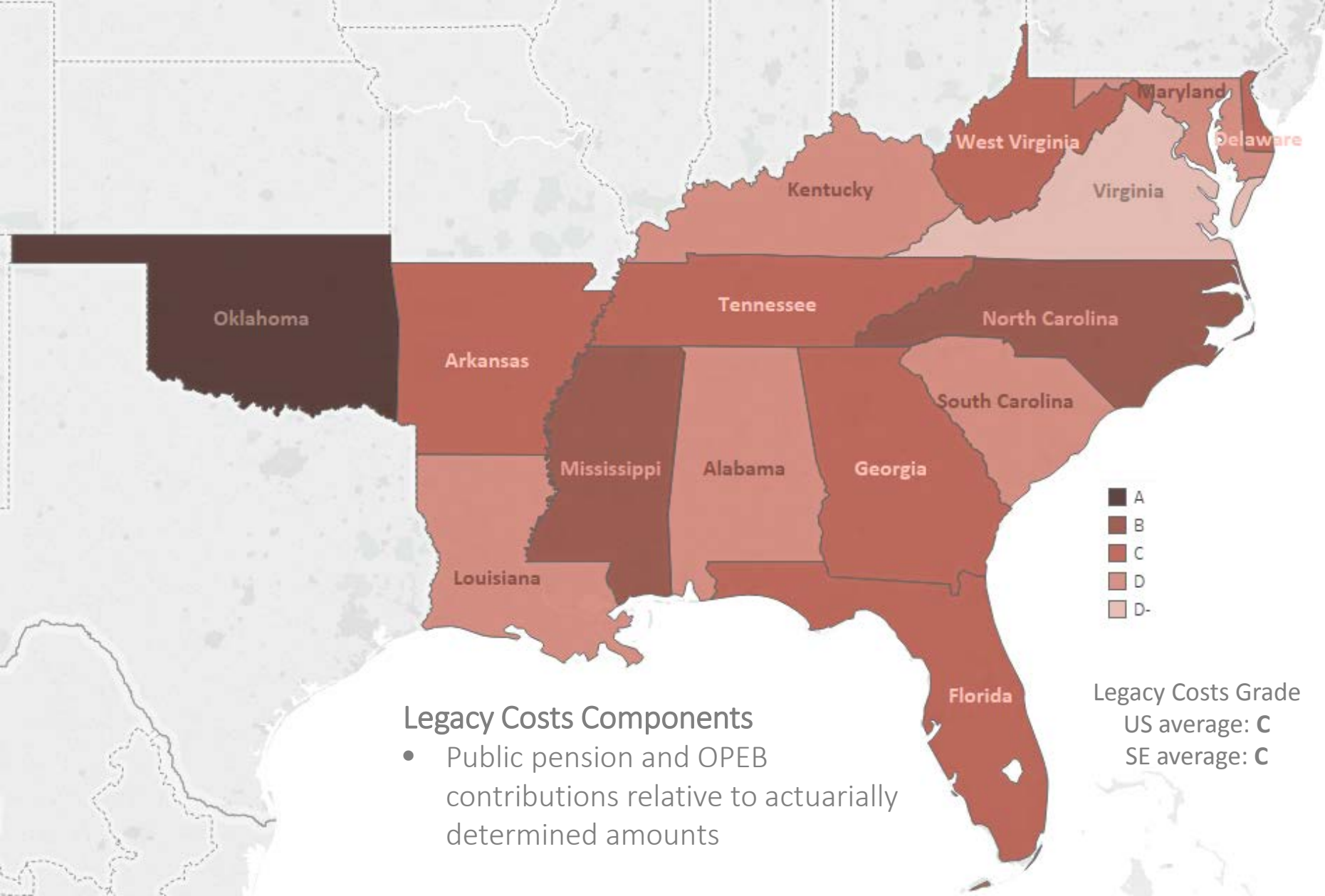
Data from the Volcker Alliance Project



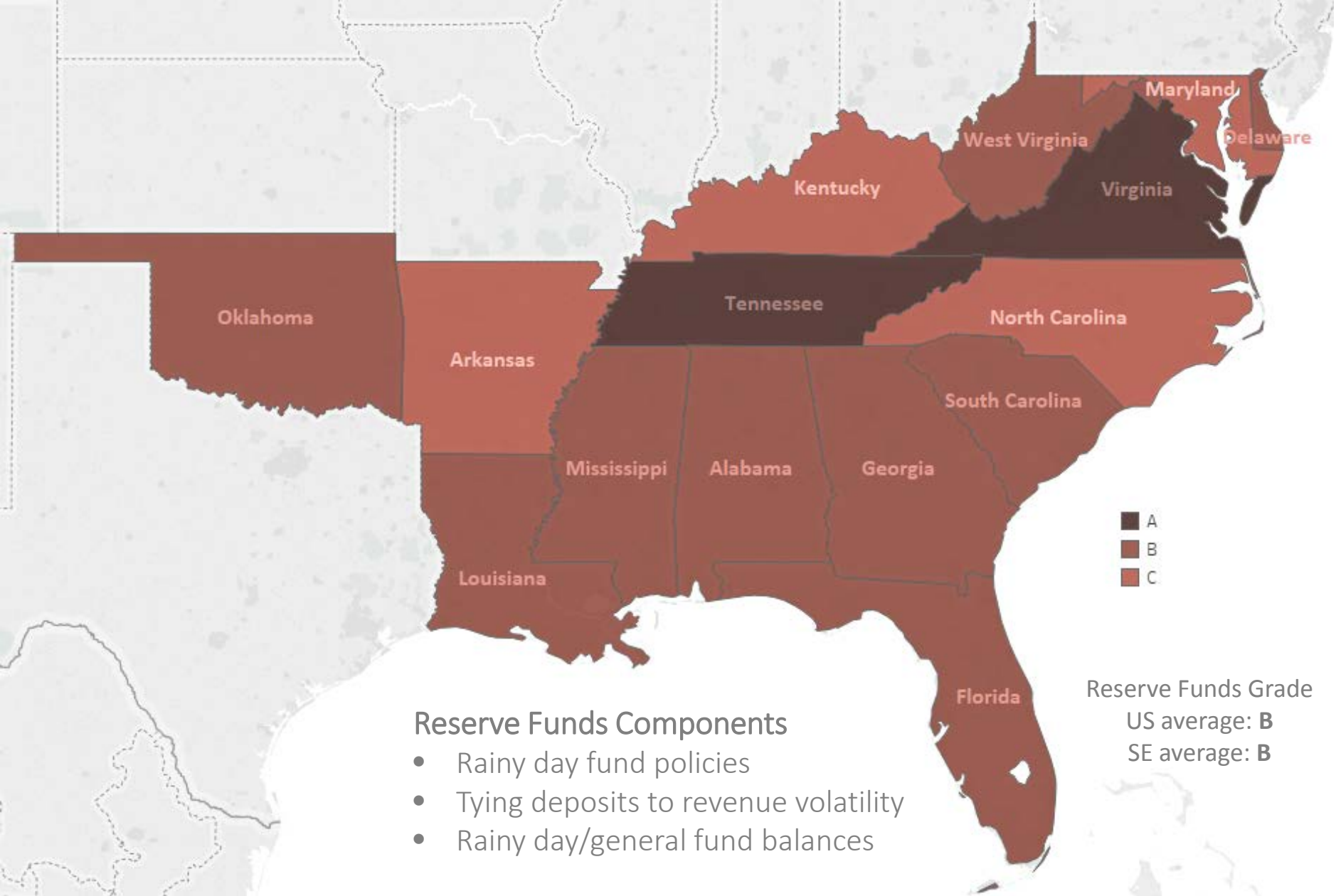
Source: Volcker Alliance Truth and Integrity in State Budgeting, Center for State and Local Finance, University of Kentucky, and Florida International University (2017)



Source: Volcker Alliance Truth and Integrity in State Budgeting, Center for State and Local Finance, University of Kentucky, and Florida International University (2017)



Source: Volcker Alliance Truth and Integrity in State Budgeting, Center for State and Local Finance, University of Kentucky, and Florida International University (2017)

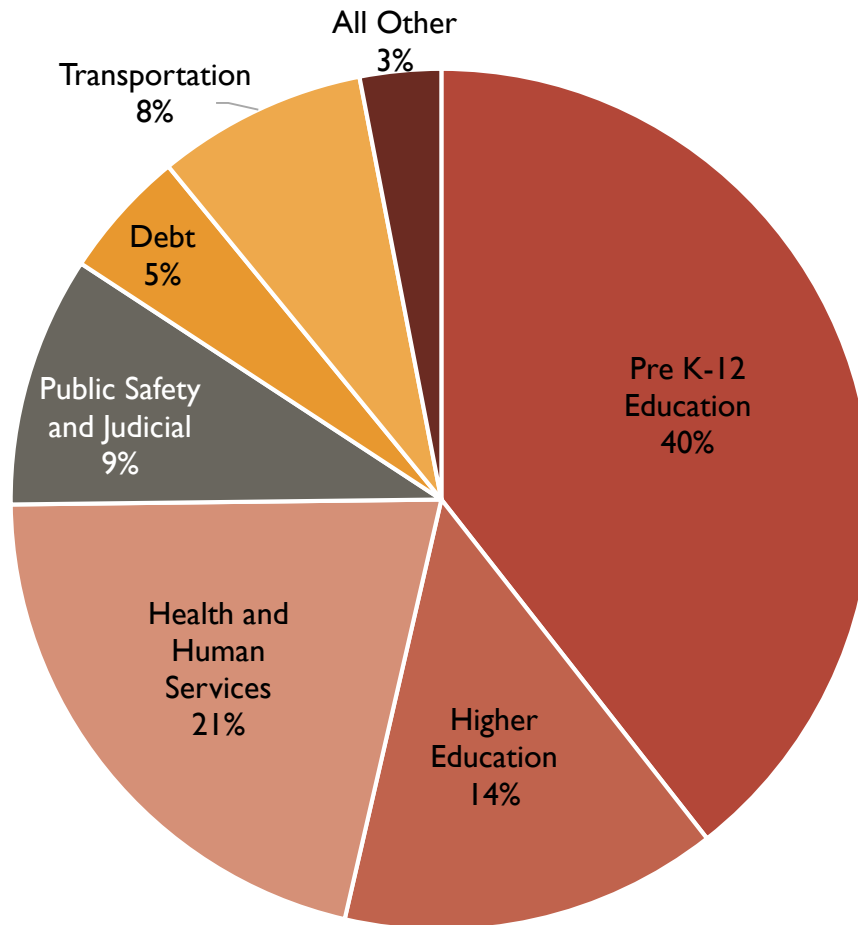




Expenditures

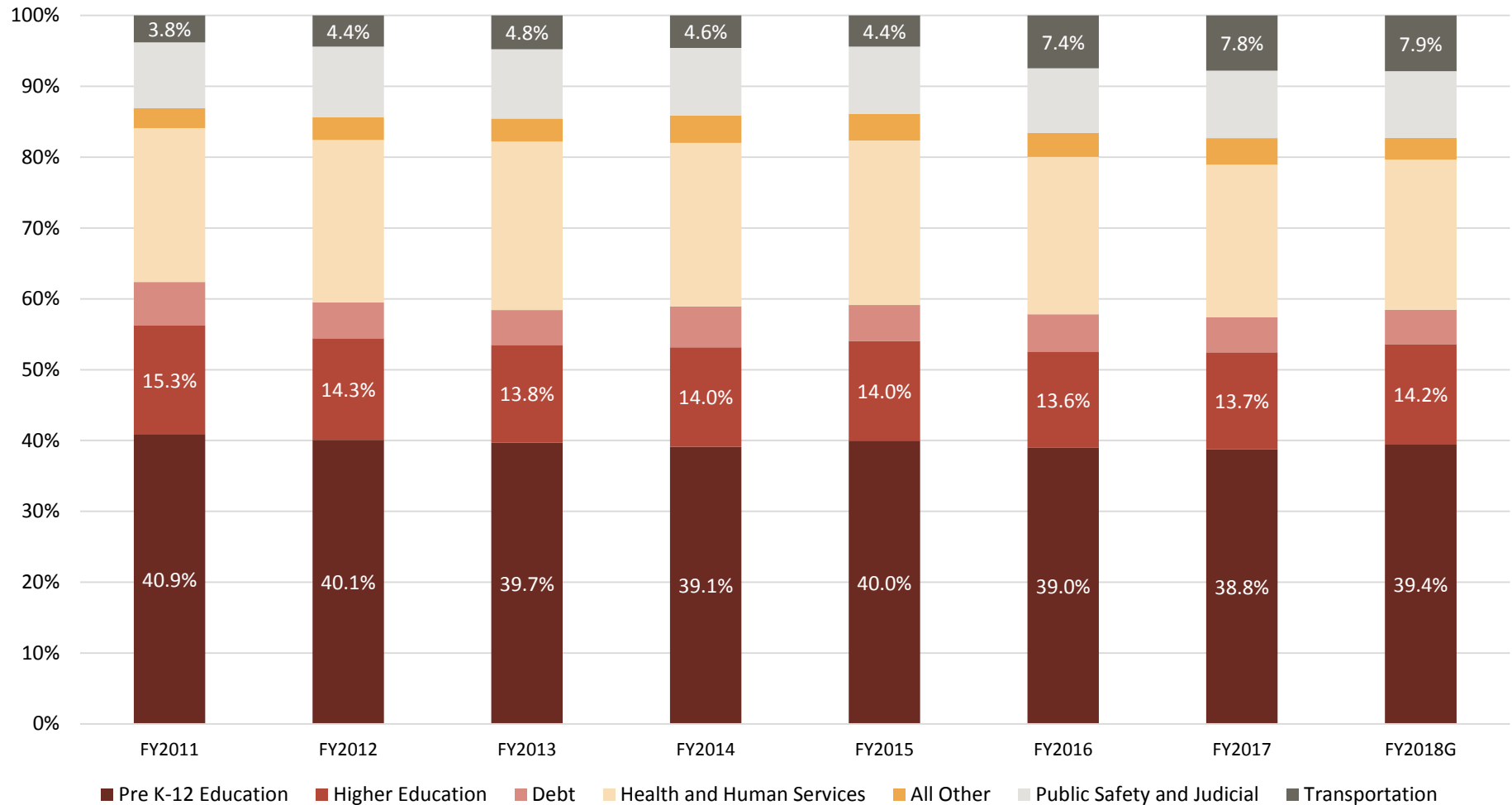
State Funds Budget FY2018

(Includes State General Fund, Motor Fuel, Lottery, Tobacco)



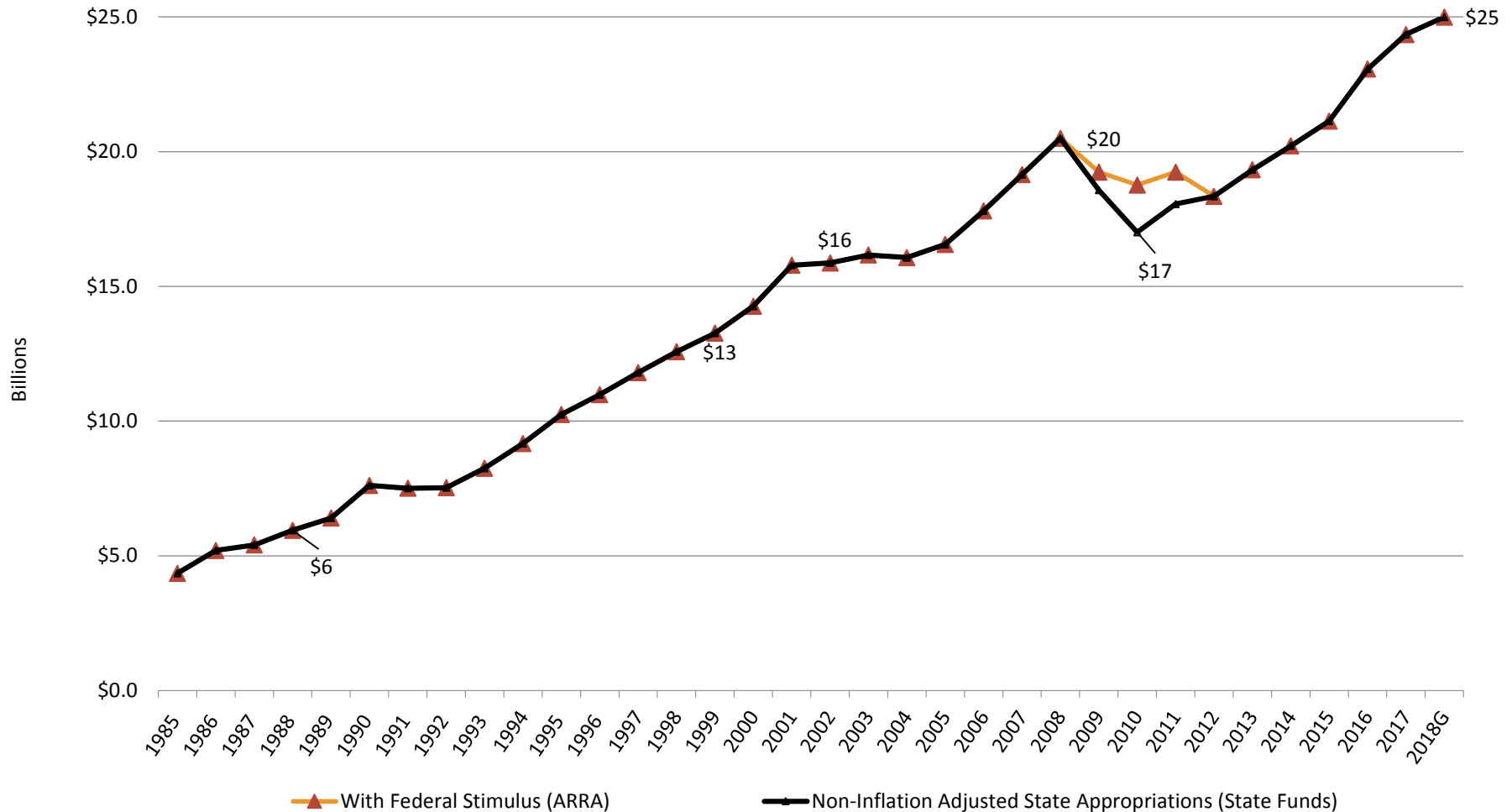
Georgia's state spending is dominated by education – both Pre-K - 12 and higher education.

Share of Spending by Policy Area, FY2011-18G



Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

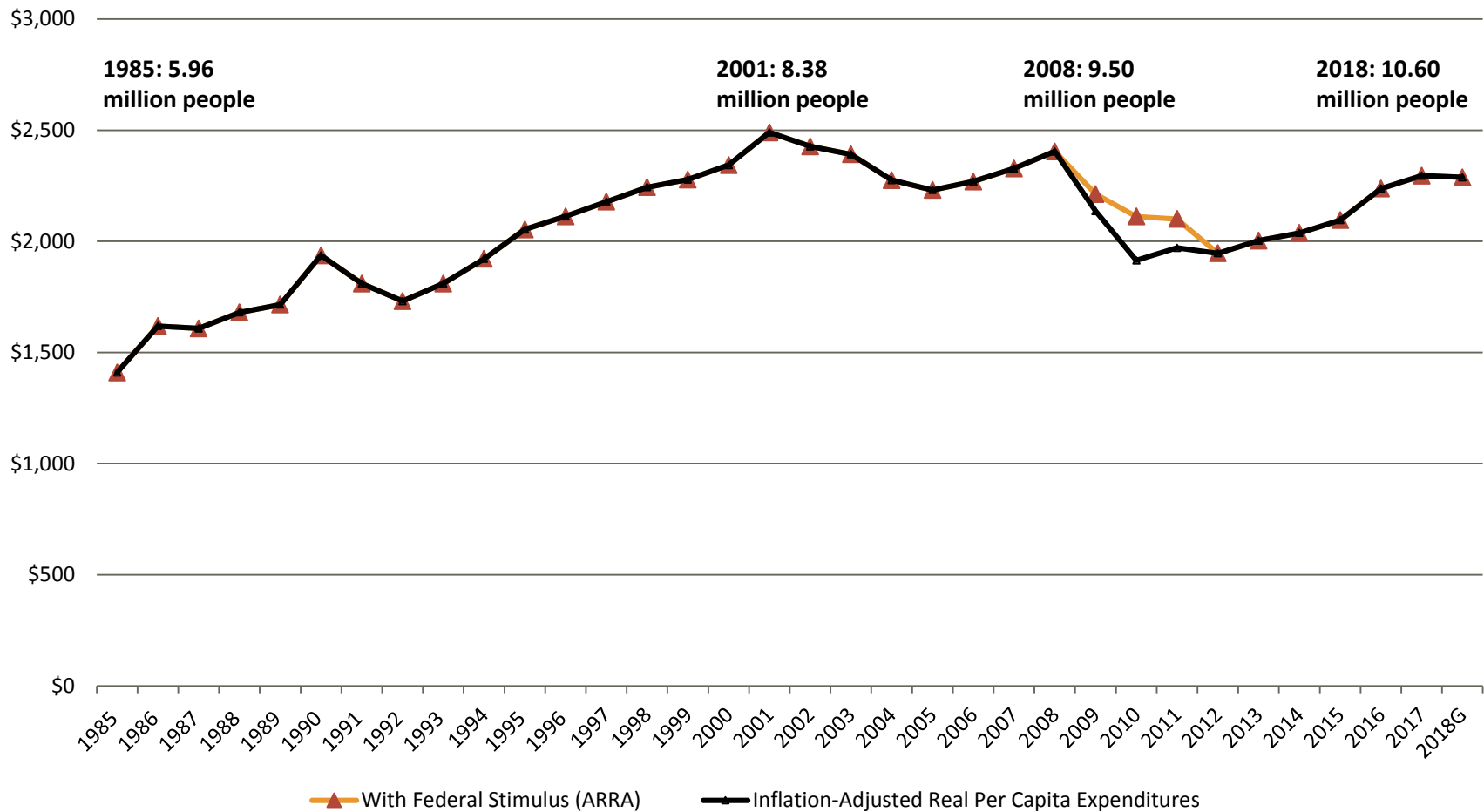
Nominal State Appropriations, 1985-2018



Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)

Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

Real Per Capita State Appropriations (2016 dollars)



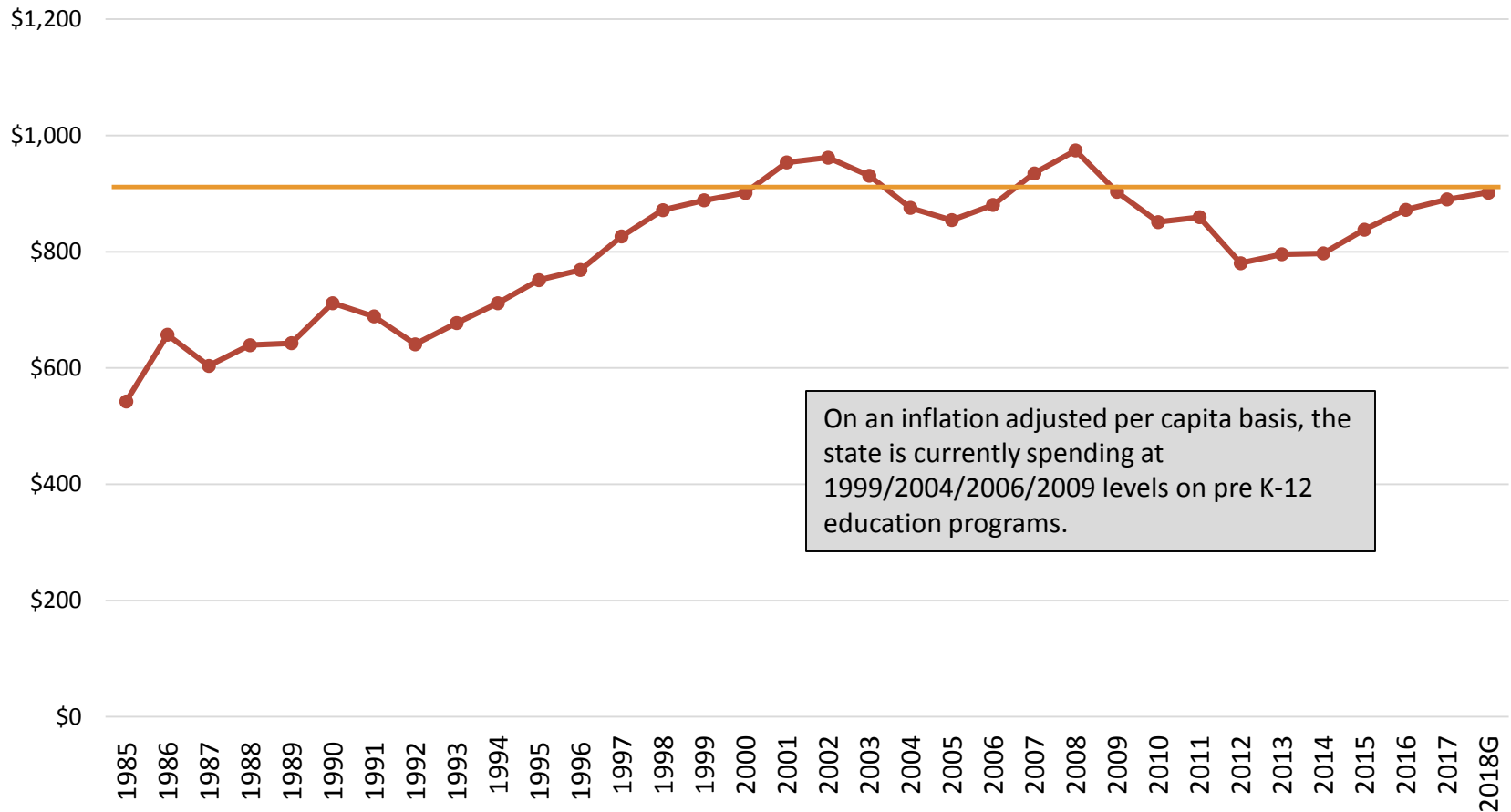
Data sources: Budget in Brief FY17A-FY18, BEA NIPA Tables 1.1.4 for GDP, Moody's Economy.com GDP growth projections and Author's calculations.

Real Per Capita Changes by Policy Area (2016 dollars, includes all state funds)

	2008	2015	2018G	\$ Change 2008-18	% Change 2008-18	\$ Change 2015-18	% Change 2015-18
Agriculture	\$5.42	\$4.21	\$4.41	(\$1.01)	-19%	\$0.19	5%
Debt Service on Bonds	\$113.76	\$107.37	\$110.82	(\$2.94)	-3%	\$3.45	3%
Health and Human Services	\$481.26	\$486.45	\$485.30	\$4.04	1%	(\$1.15)	0%
Corrections	\$173.98	\$149.61	\$156.99	(\$16.99)	-10%	\$7.38	5%
Economic Development	\$26.72	\$17.43	\$9.70	(\$17.01)	-64%	(\$7.72)	-44%
Education	\$974.22	\$838.05	\$901.90	(\$72.32)	-7%	\$63.85	8%
General Government	\$94.83	\$43.52	\$42.14	(\$52.69)	-56%	(\$1.38)	-3%
Higher Education	\$358.41	\$293.99	\$324.53	(\$33.88)	-9%	\$30.55	10%
Judicial	\$23.79	\$22.33	\$24.68	\$0.89	4%	\$2.34	10%
Natural Resources	\$20.90	\$13.62	\$13.50	(\$7.40)	-35%	(\$0.13)	-1%
Public Safety	\$26.56	\$26.50	\$33.66	\$7.10	27%	\$7.16	27%
Transportation	\$104.89	\$92.35	\$180.28	\$75.39	72%	\$87.93	95%
TOTAL	\$2,405	\$2,095	\$2,288	(\$116.82)	-5%	\$192	9%

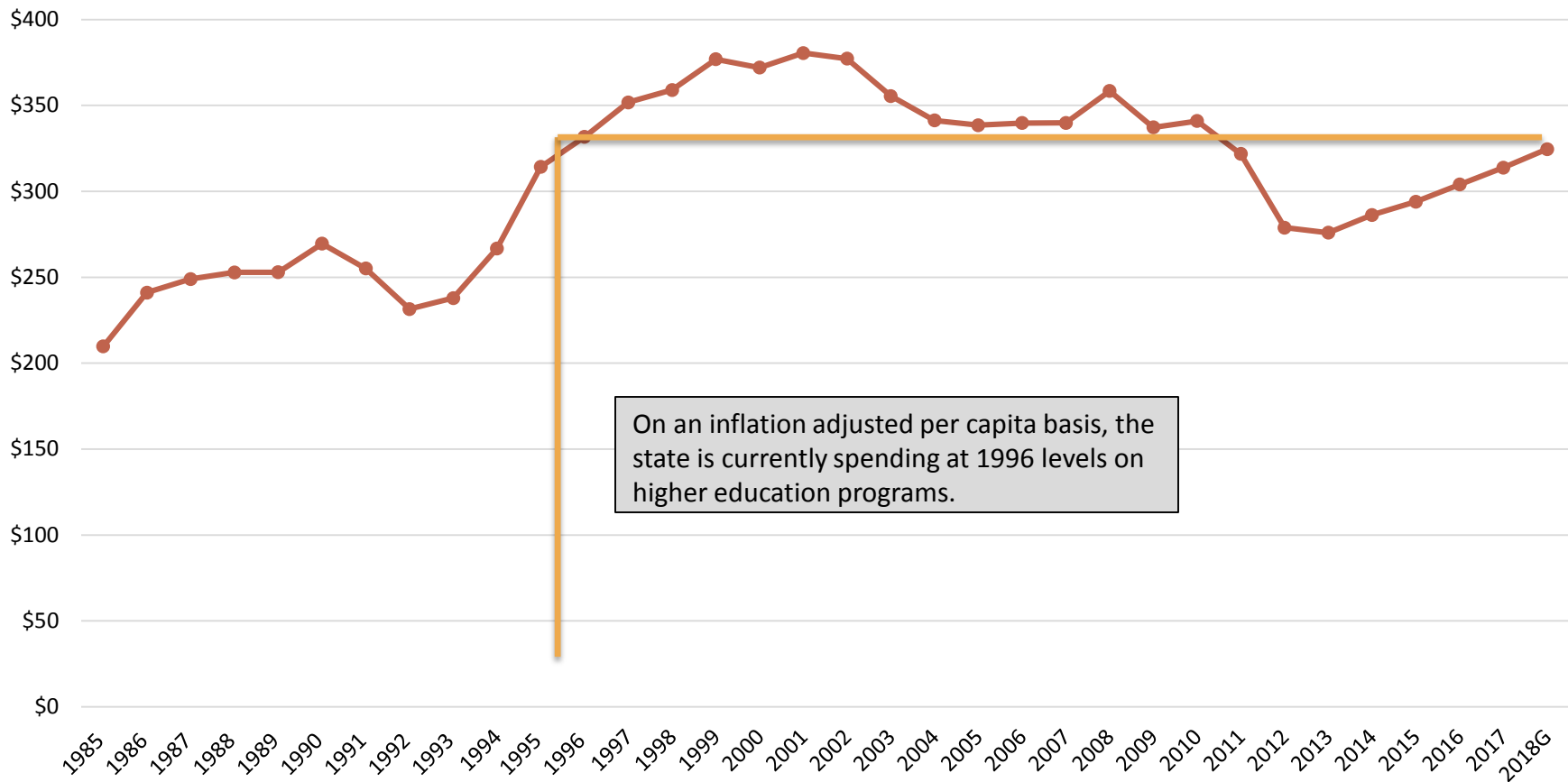
Sources: Budgets in Brief; Selected Summary Financial Information; FY18 General Budget; Author's Calculations; Inflation Index Used: Gross Domestic Product-NIPA Table 1.1.9.

Real Per Capita Pre-K-12 Education Funding (all state funds, 2016 dollars)



Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

Real Per FTE Appropriations for Higher Education (2016 Dollars)



Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9



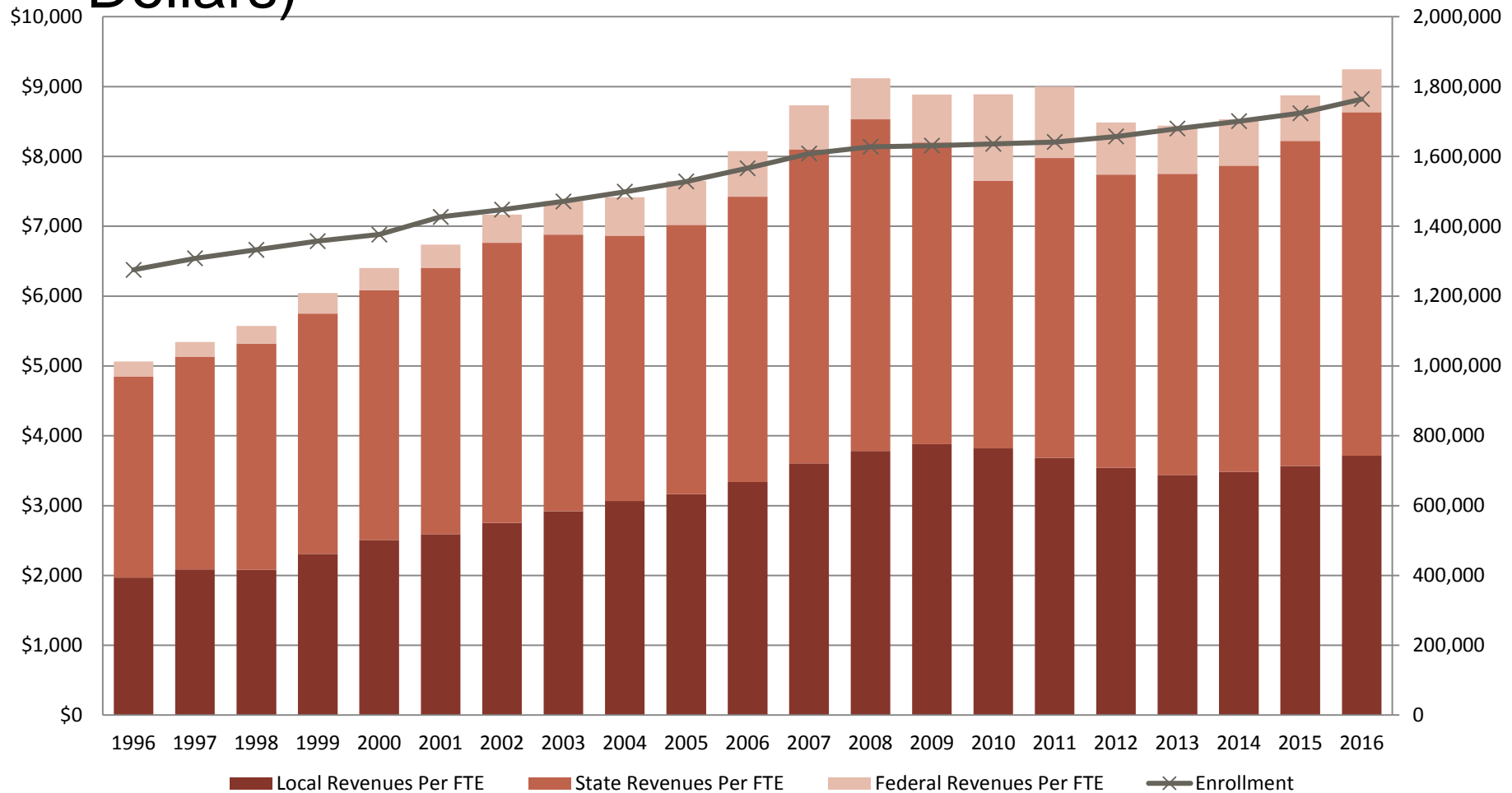
Education

Pre-K

K-12

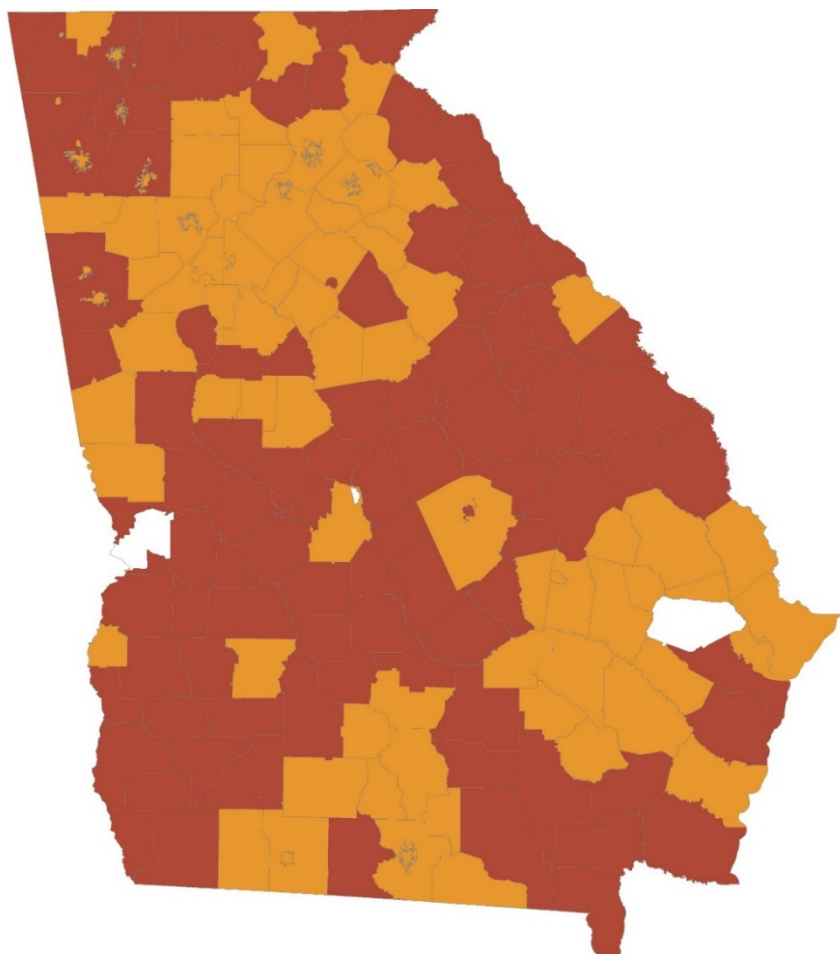
Higher Education

GA DOE Reported School District Real Revenues Per FTE and Enrollments 1996-2015 (2015 Dollars)



Source: GA-DOE data on revenues for school districts; note that these revenues do not include ESPLOST. Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

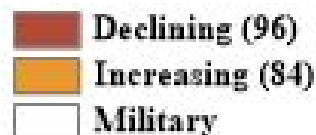
Pre-K-12 FTE Student Growth FY 2008-16



Total increase in students: 1.76 million total students in 2016, 1.65 million in 2008

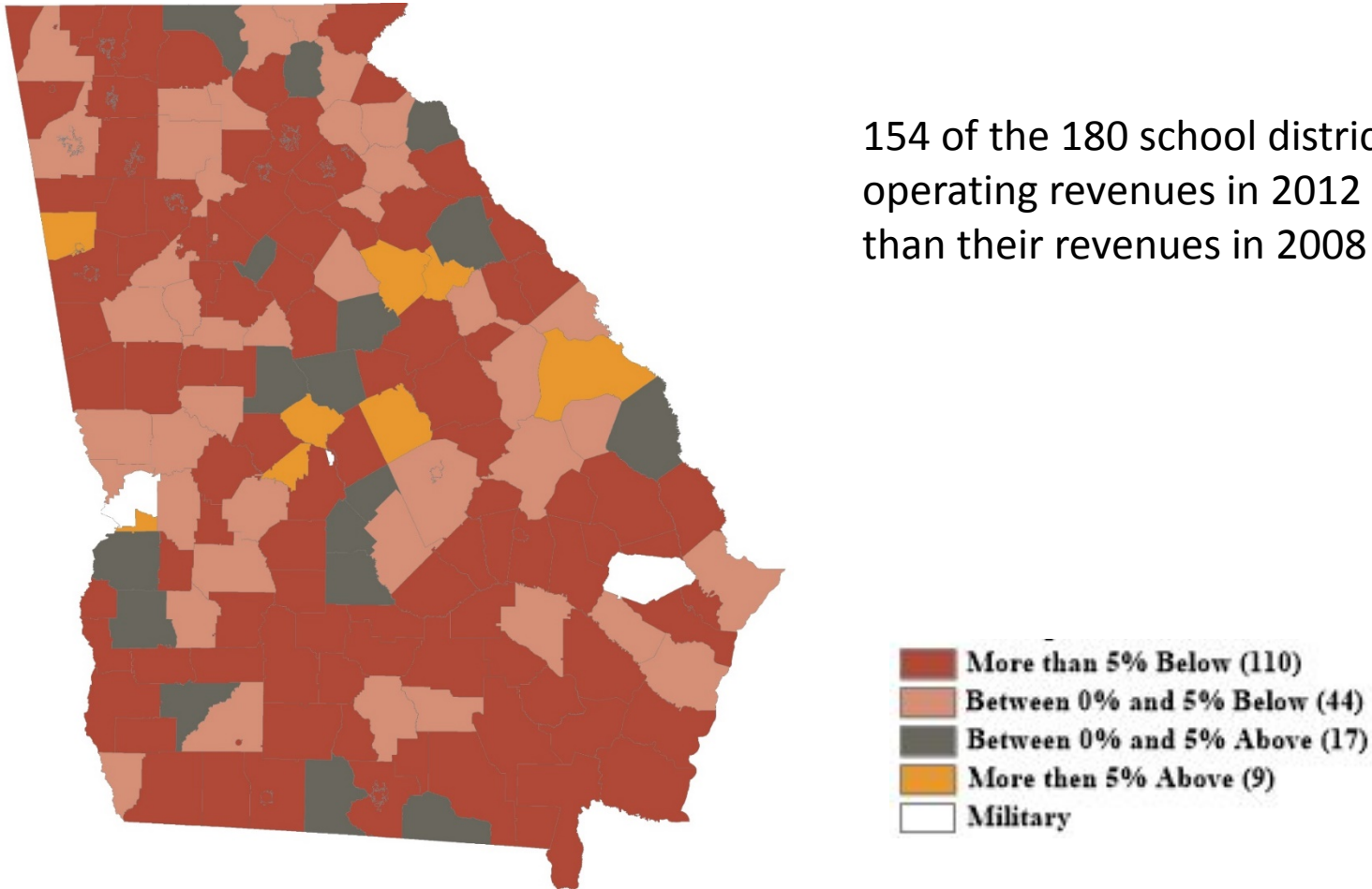
13, mostly rural county districts, had their FTE student populations decline by more than 20 percent.

12, many independent city districts, had their FTE student population increase by more than 20 percent.



School Districts' Total Operating Revenues, 2008-12

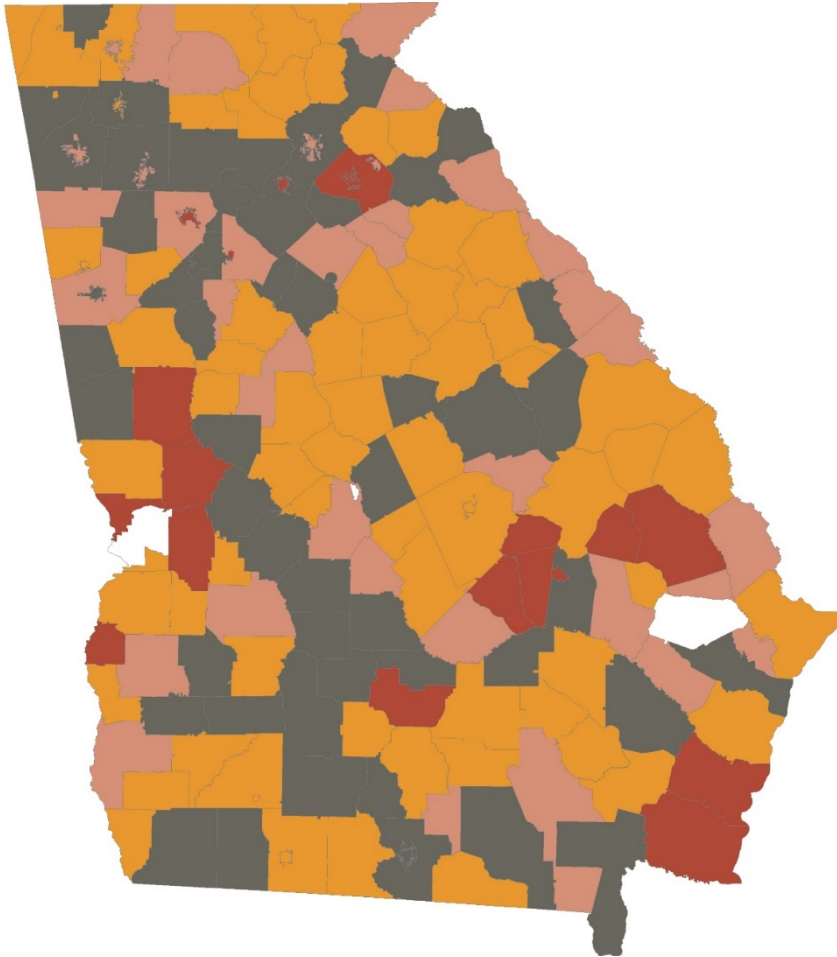
154 of the 180 school districts' operating revenues in 2012 were less than their revenues in 2008



Source: Georgia Department of Education (2017)

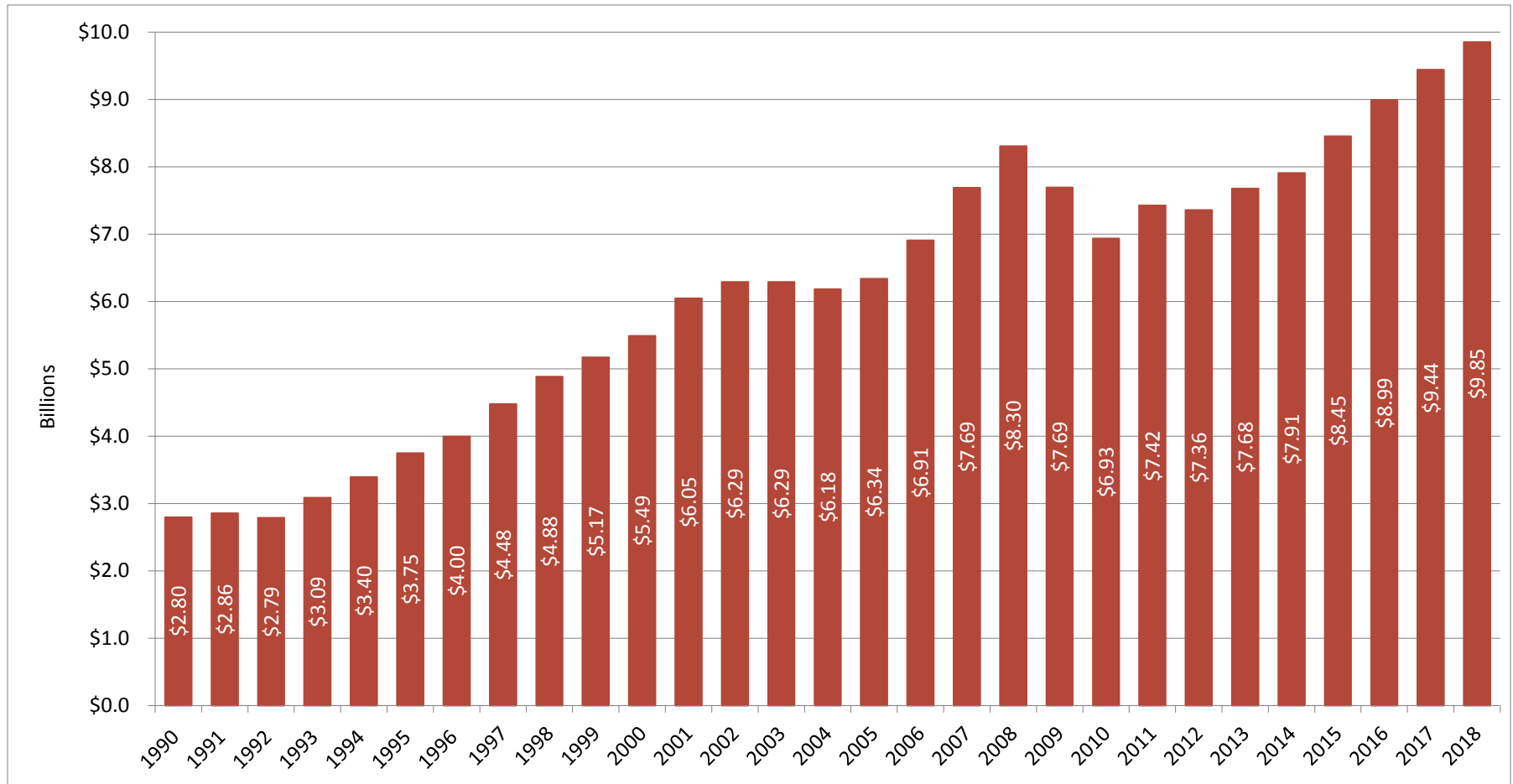
School Districts' Total Operating Revenues, 2008-16

125 of the 180 school districts' operating revenues in 2016 were above their revenues in SY 2008



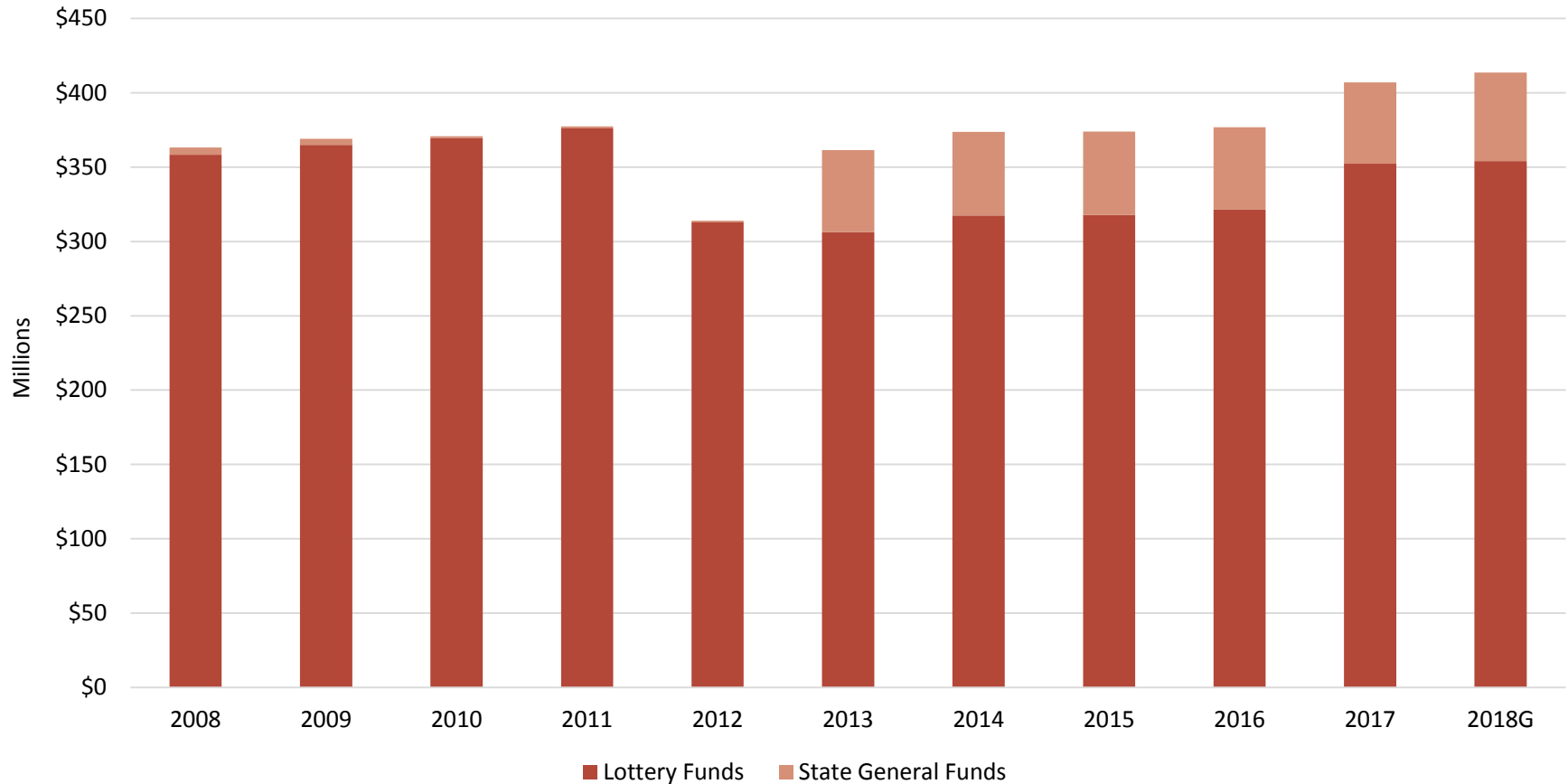
Source: Georgia Department of Education (2017)

Pre-K to 12 Total Appropriations (Nominal dollars, in billions)



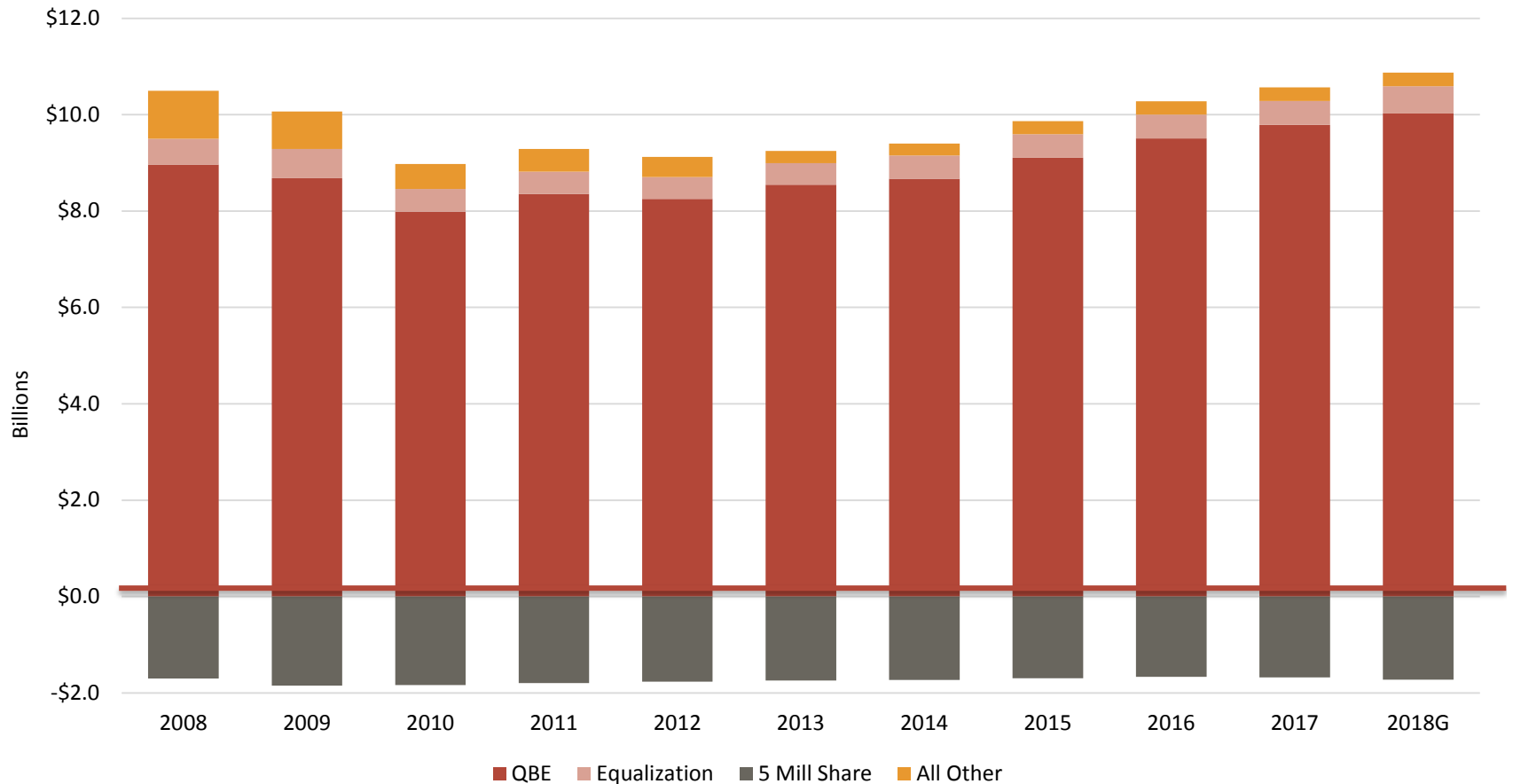
Source: Selected Summary Financial Information; Budget Documents (FY17A and FY18G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.4

DECAL Appropriations 2008-18 (2016 Dollars)



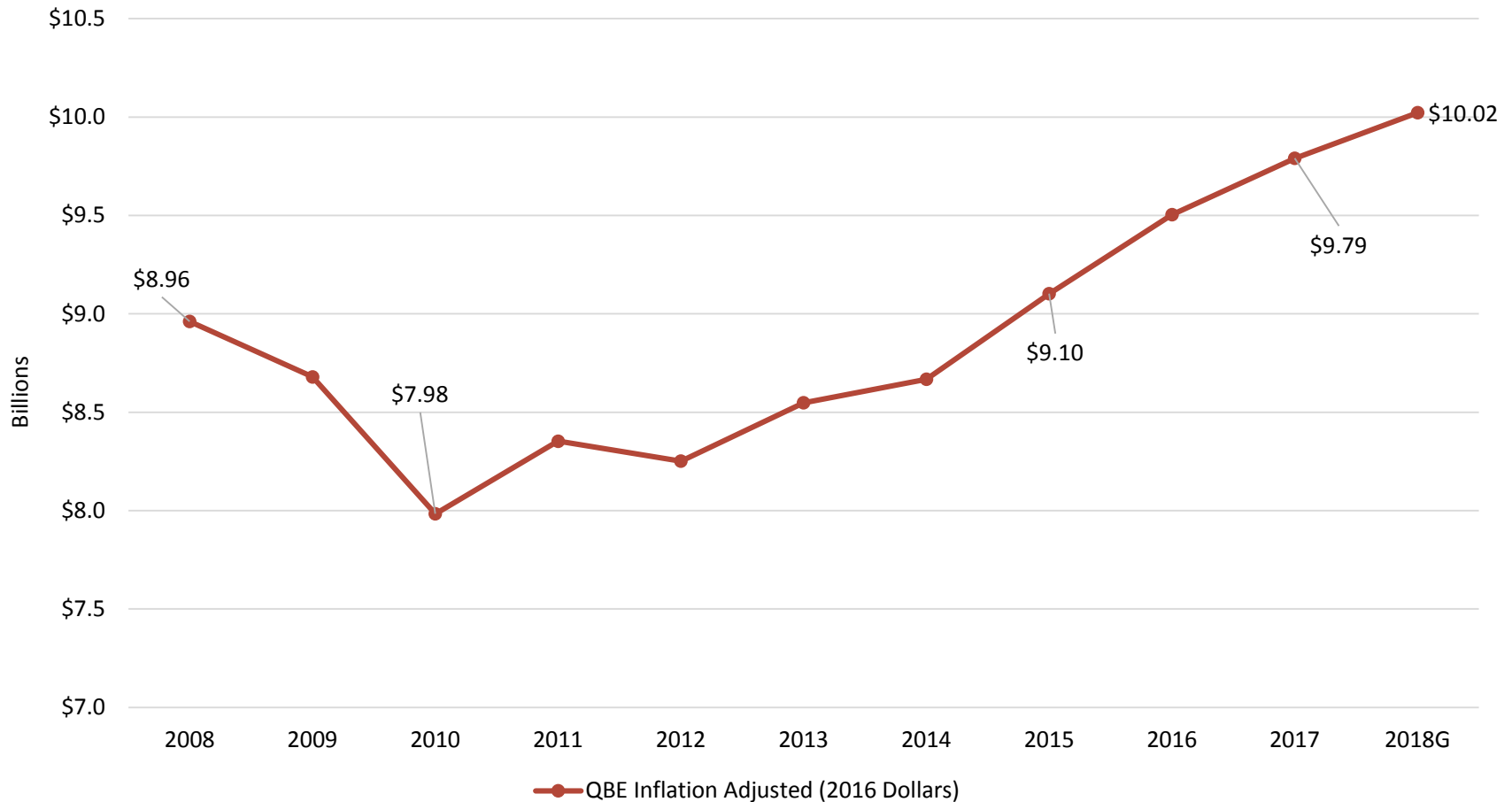
Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

DOE Appropriations 2008-18 (in billions, 2016 dollars)

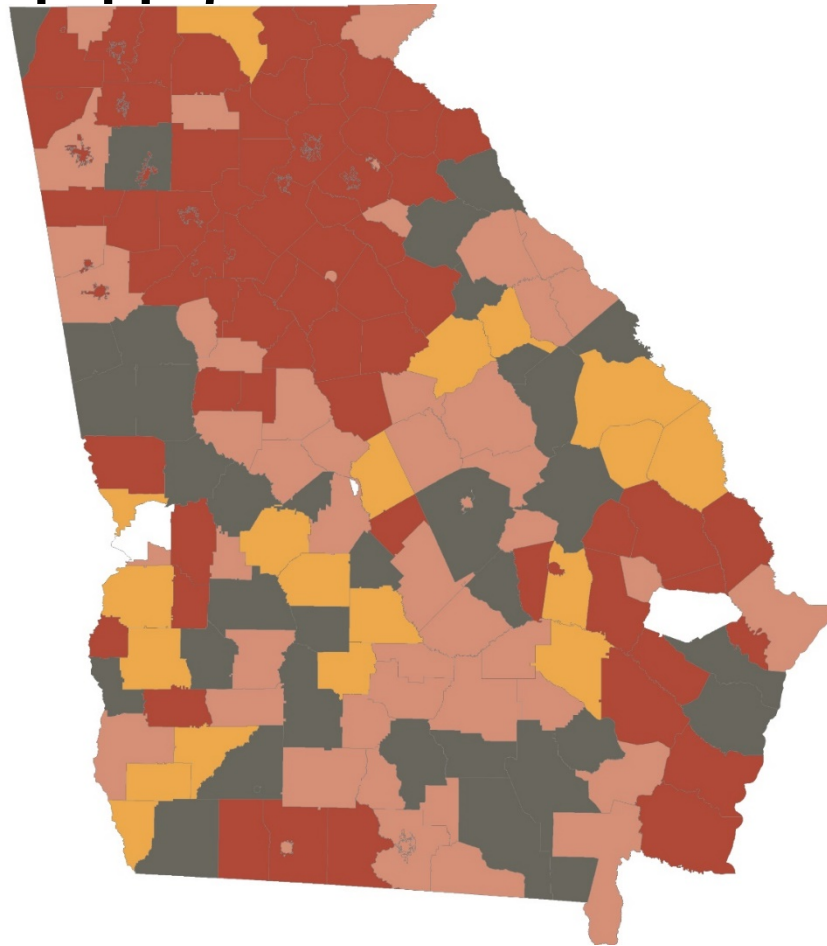


Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

QBE Program Appropriations FY 2008-18 (in billions, 2016 dollars)

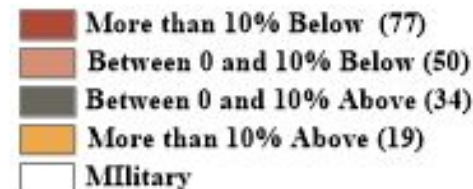


Districts' Property Tax Digests, Pre-Recession Peak Compared to 2016 (Per FTE)

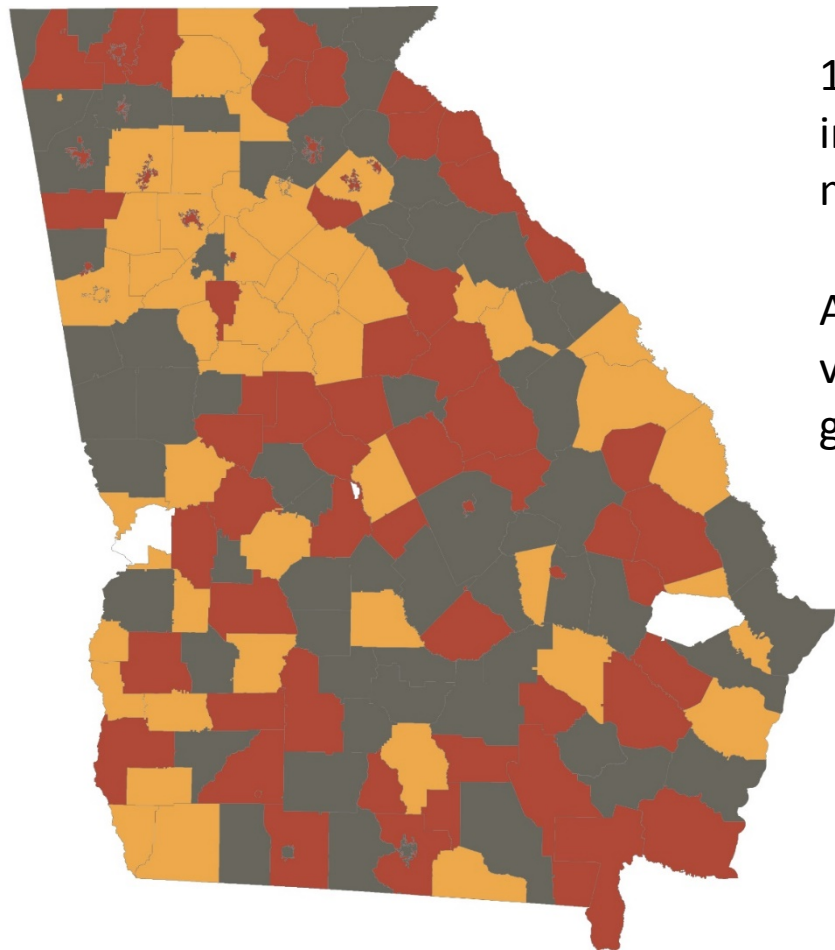


127 of the 180 per FTE school property digests remain below their pre-Recession peak value. 77, almost half, remain 10 percent below where they were going into the recession.

Atlanta Metro, where the decline in property values was the most dramatic, has yet to regain their pre-recession value.

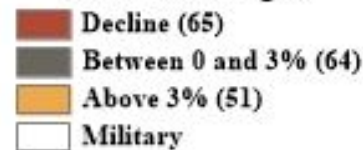


Districts' Property Tax Digests, 2015-16

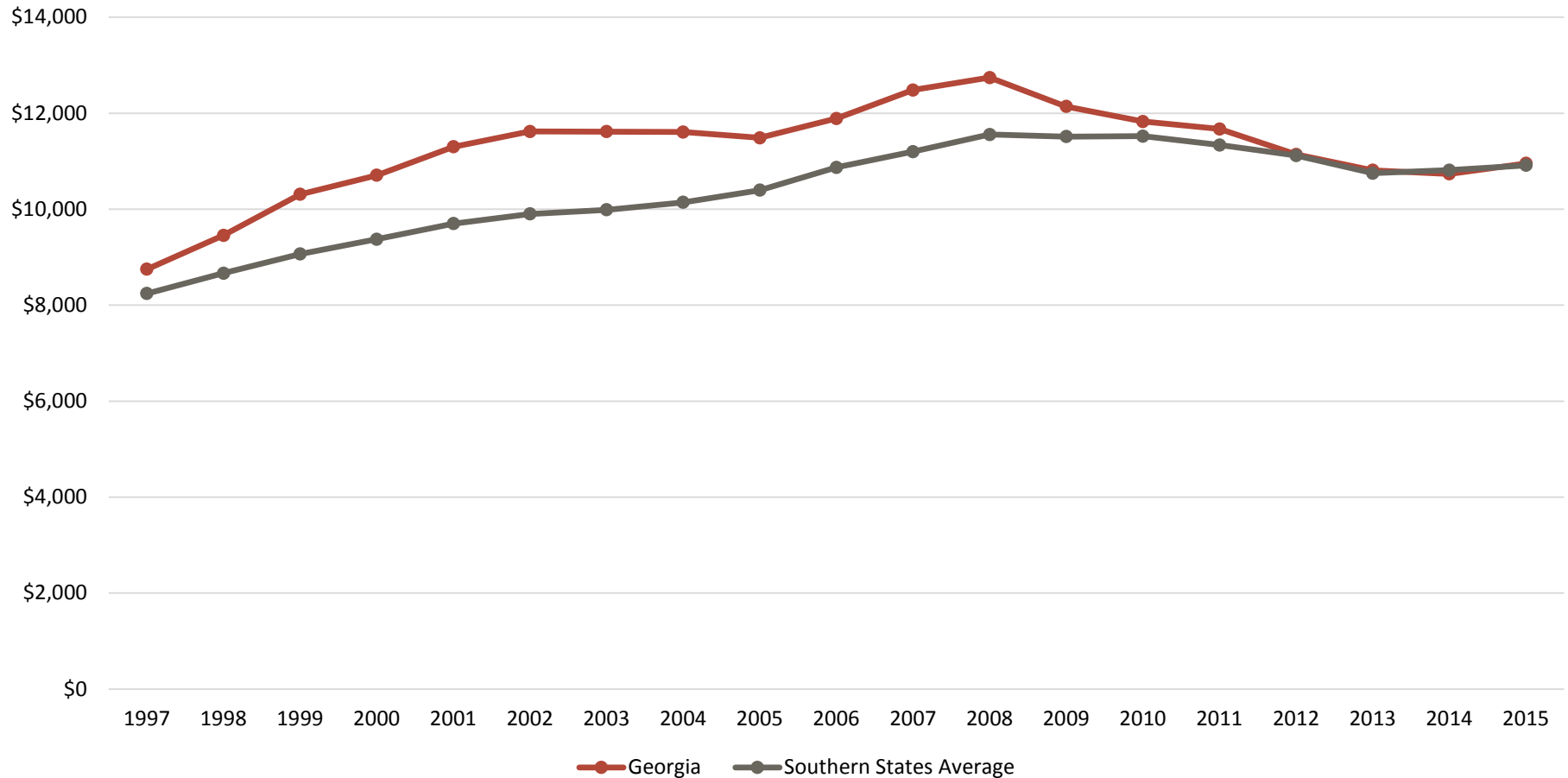


115 of the 180 per FTE school property digests increased between 2015 and 2016. 51 grew by more than 3 percent.

Atlanta Metro, where the decline in property values was the most dramatic, experienced growth with a few exceptions.



Real Education Funding Per Student Comparison (Per FTE, 2016 dollars)



Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

Education Comparison 2005-15

(2016 dollars)

State	Enroll-ment Growth	State Revenue Per FTE Growth	Local Revenue Per FTE Growth	Federal Revenue Per FTE Growth	Overall Revenue Per FTE Growth	Overall Revenue Per FTE 2005	Rank in 2005	Overall Revenue Per FTE 2015	Rank in 2015	Change in Rank
Alabama	0.8%	4%	4%	-1%	4%	\$9,781	11	\$10,140	10	1
Arkansas	3.9%	9%	-4%	5%	7%	\$10,437	8	\$11,174	7	1
Florida	8.2%	-14%	-3%	8%	-6%	\$10,630	6	\$9,954	11	-5
Georgia	11%	-3%	-8%	1%	-5%	\$11,486	3	\$10,955	9	-6
Kentucky	2.1%	10%	23%	8%	14%	\$9,776	12	\$11,103	8	4
Louisiana	-7.9%	13%	44%	33%	28%	\$10,085	9	\$12,920	1	8
Mississippi	-0.8%	0%	18%	3%	6%	\$8,917	14	\$9,463	13	1
Missouri	-1.1%	3%	9%	16%	7%	\$11,192	4	\$11,953	5	-1
North Carolina	8.7%	-2%	-26%	9%	-9%	\$9,978	10	\$9,088	15	-5
Oklahoma	6.8%	-4%	8%	-20%	-2%	\$9,419	13	\$9,227	14	-1
South Carolina	5.2%	15%	6%	4%	10%	\$10,948	5	\$12,015	4	1
Tennessee	5.7%	17%	2%	13%	10%	\$8,763	15	\$9,606	12	3
Texas	15.5%	17%	0%	3%	6%	\$10,558	7	\$11,212	6	1
Virginia	6.3%	1%	1%	-4%	1%	\$12,259	1	\$12,329	3	-2
West Virginia	0.0%	3%	23%	-8%	7%	\$11,707	2	\$12,553	2	0

Calculations from revenue figures provided by the US Census F-33 Financial Survey.
Table uses national GDP price deflator to adjust for inflation.

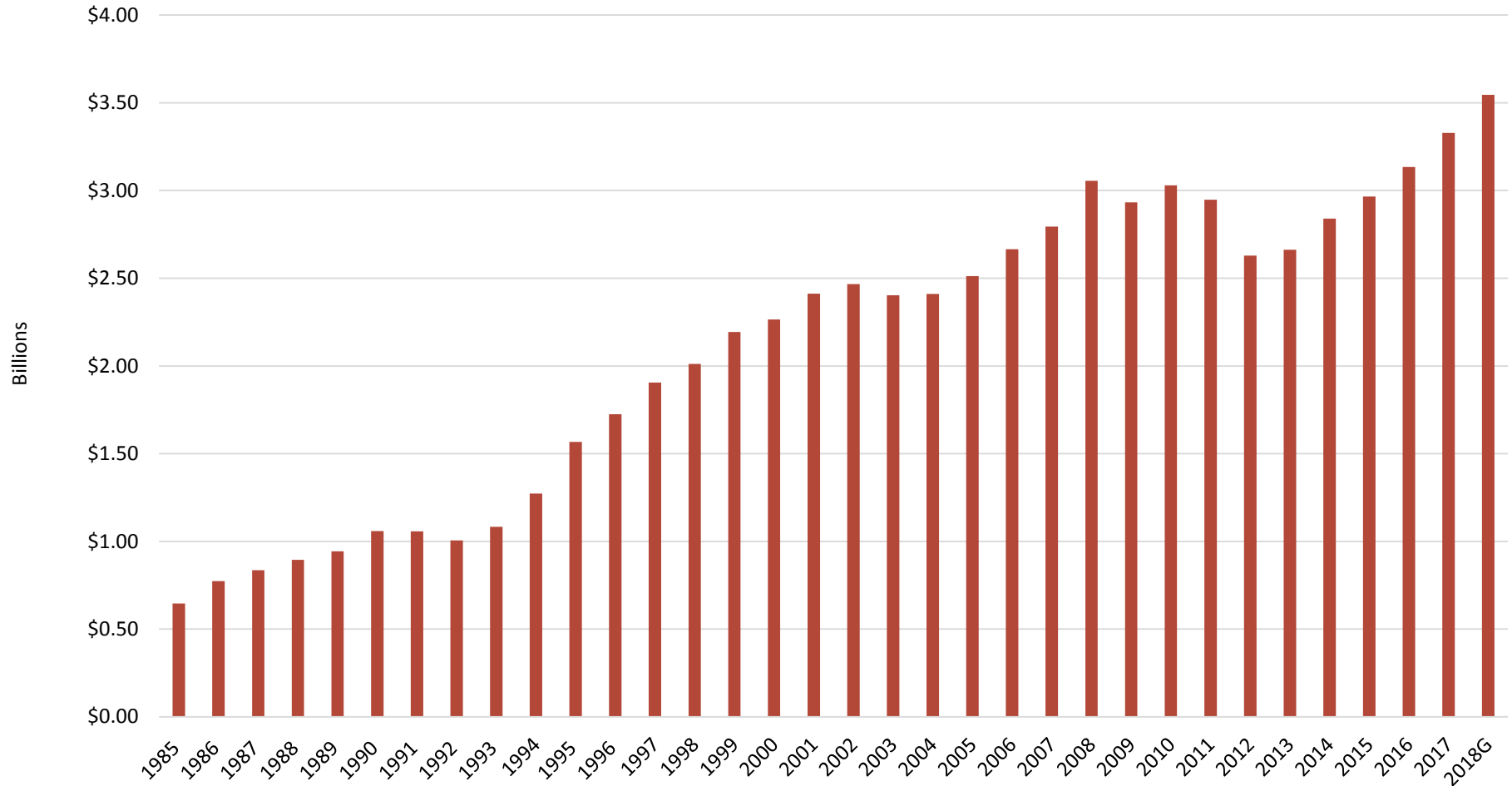
Pre-K- 12 Funding Highlights

- Huge cuts after the recession
- Restored but not all the way
 - Austerity cuts still in place
 - Health care benefits for non-certificated employees
 - Pre-K class sizes
- Some local areas continue to decline



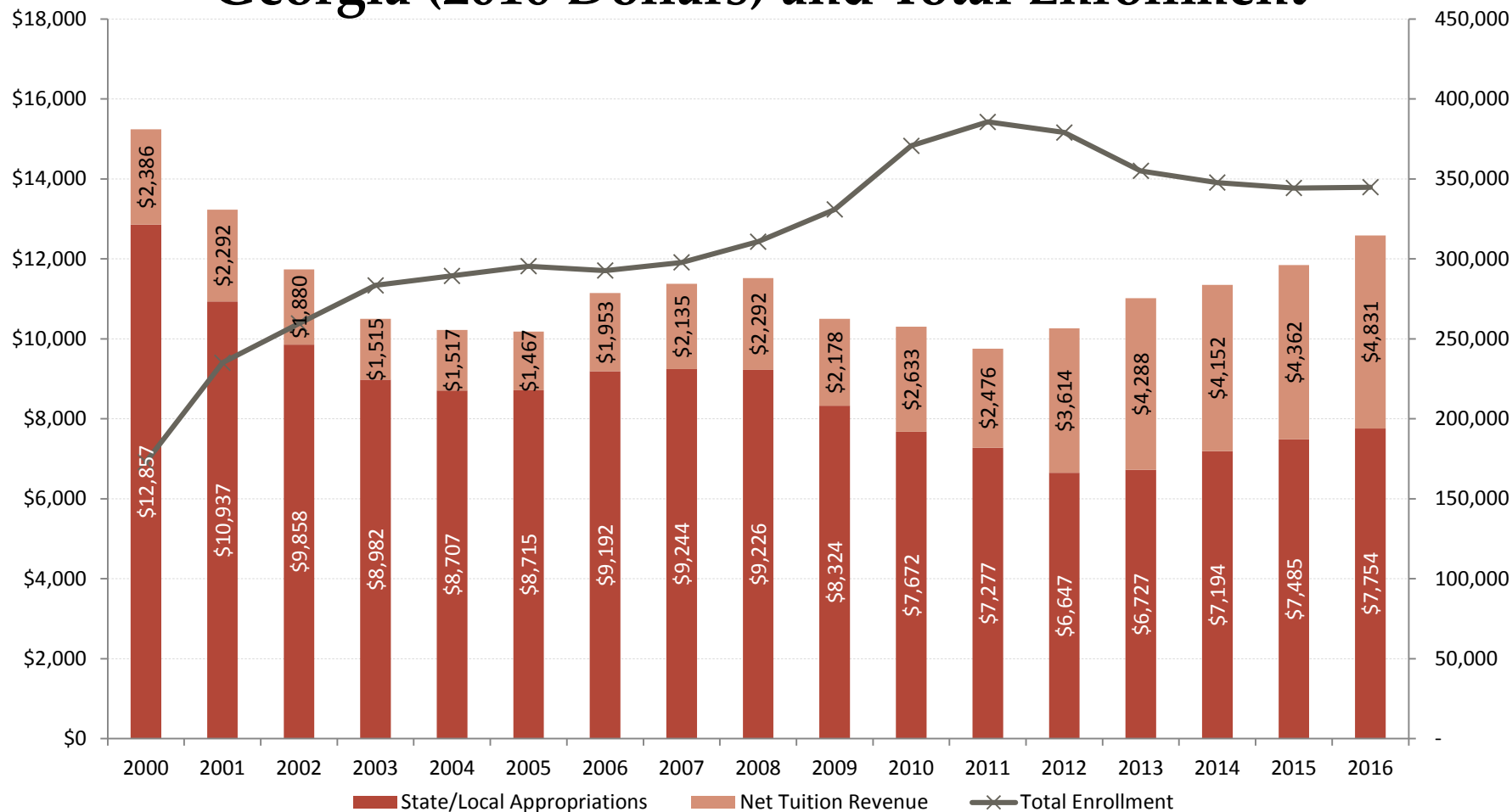
Higher Education

Total Appropriations for Higher Education in Georgia (Board of Regents, TCSG, GSFC)



Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

Real Per Student Higher Education Revenues for Georgia (2016 Dollars) and Total Enrollment



Revenue figures from State Higher Education Executive Officers Association, State Higher Education Finance Report. These numbers are not weighted by type of student; state appropriations include HOPE and other state financial aid and grant programs. Numbers are adjusted using a GDP Price Deflator.

Higher Education State Revenue Changes, 2006-16 (2016 dollars)

State	Enrollment Growth	Approp. Per FTE Growth	Tuition Per FTE Growth	Total Revenue Per FTE Growth	Total Revenue Per FTE 2006	Rank in 2006	Total Revenue Per FTE 2016	Rank in 2016	Change in Rank
Alabama	9%	-19%	65%	21%	12,498	2	15,100	1	1
Arkansas	13%	1%	49%	17%	10,375	10	12,161	8	2
Florida	18%	-20%	35%	-7%	10,154	11	9,454	14	-3
Georgia	18%	-16%	147%	13%	11,145	8	12,585	6	2
Kentucky	6%	-17%	60%	9%	12,010	4	13,117	4	0
Louisiana	1%	-25%	27%	-8%	9,957	12	9,172	15	-3
Mississippi	9%	2%	59%	24%	9,553	14	11,813	10	4
Missouri	20%	-19%	12%	-6%	12,348	3	11,606	12	-9
North Carolina	13%	-2%	49%	11%	11,898	5	13,254	3	2
Oklahoma	0%	-10%	69%	16%	9,929	13	11,559	13	0
South Carolina	23%	-27%	20%	-4%	12,825	1	12,253	7	-6
Tennessee	10%	-10%	44%	9%	11,780	6	12,838	5	1
Texas	24%	-3%	37%	10%	10,883	9	11,976	9	0
Virginia	17%	-16%	62%	21%	11,690	7	14,162	2	5
West Virginia	-1%	-5%	53%	23%	9,506	15	11,689	11	4

Revenue figures from State Higher Education Executive Officers Association, State Higher Education Finance Report. These numbers are not weighted by type of student; state appropriations include HOPE and other state financial aid and grant programs. Numbers are adjusted using a GDP Price Deflator.

Higher Education Issues

- Importance of a college degree for earnings and jobs
- Higher costs for state and students – how will that be managed
- HOPE scholarship changes
- Expanding population necessitates more facilities

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mreeves9@gsu.edu, rbuschman1@gsu.edu

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